

Comprehensive Annual Financial Report



Period Ending December 31, 2006
Town of Highland, Indiana



Comprehensive Annual Financial Report Town of Highland, Indiana



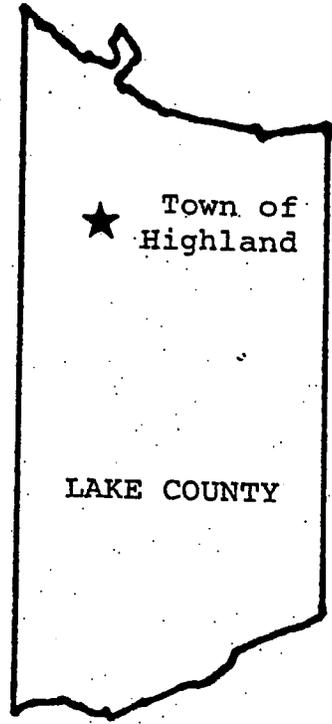
For the Year Ended
December 31, 2006

Prepared by the Office of the Highland Clerk-Treasurer

Michael W. Griffin, IAMC/CMC/CPFA
Clerk-Treasurer

On the Cover. *The Highland Downtown Association welcomes everyone at the western end of Highway Avenue, which leads to Highland's downtown district, with this newly erected gateway Sign, demonstrating a Mid Century Modern aesthetic.*

(Design and graphic courtesy of Keyword Design, LLC, Judith Mayer President)



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
Town of Highland, Indiana**

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TOWN OF HIGHLAND

Highland Municipal Building • 3333 Ridge Road

Highland, Indiana 46322

219-838-1080 • Fax 219-972-5097



Population 23,546

Incorporated in 1910

Friday, August 31, 2007

Highland Town Council
Town of Highland, Indiana

Dear Members of the Town Council and Citizens of the Town of Highland:

It is with pleasure that I submit this letter as introduction to the Comprehensive Annual Financial Report (CAFR) of the Town of Highland for the year ended December 31, 2006. This report has been prepared following guidelines set by the Government Finance Officers Association (GFOA) of the United States and Canada. As in previous years, this report will be submitted to the GFOA for its review.

The Town of Highland continues to believe in the important public benefits to be derived from the level of disclosure and added accountability attained through comprehensive financial reporting. Part of what we believe sets our Town apart is the Town Council's commitment to sound fiscal growth and support of our clerk-treasurer's efforts to improve the quality of our public reporting and general public stewardship.

This comprehensive report is supported and encouraged by the entire Town Council, the Board of Waterworks Directors, the Board of Sanitary Commissioners and the newly appointed Town Manager. I am reliably advised how nearly thirteen years ago our clerk-treasurer began to advocate for this form of reporting. I remain very pleased that the proper steps were taken to bring about this level of financial reporting, for what is now our *twelfth* time. The Town Council and the associated boards and commissions recognize that the commitment by the Clerk-Treasurer to quality reporting and absolute compliance with statutory or regulatory requirements is in large part what makes this CAFR possible. Michael would encourage me to remember the staff in the Office of the Clerk-Treasurer as well as the on-going post-audit work of the Indiana State Board of Accounts for their important contributions as well.

I sincerely believe that this commitment to quality financial reporting benefits our entire community. I hope that after a review of this year's CAFR, you will come to think so too.

Sincerely,

Daniel E. Dernulc
Town Council President

TOWN COUNCIL

BERNIE ZEMEN
1st Ward

MARK A. HERAK
2nd Ward

ROBERT HELMER
3rd Ward

JOSEPH A. WSZOLEK
4th Ward

DANIEL E. DERNULC
5th Ward

JOHN M. BACH
Public Works Director

RHETT TAUBER
Attorney

CLERK - TREASURER

MICHAEL W. GRIFFIN

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TOWN of HIGHLAND

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Office of the Clerk-Treasurer

Michael W. Griffin, IAMC/CMC/CPFA
Clerk-Treasurer

Carol L. Morrison, IAMC/CMC
Deputy Clerk-Treasurer

Staff

Dawn Kovacich
Shirley Frankiewicz
Rachel Ritchey
Kelley Hugus
Sylvia Ricketts
Debra Seremet
Denise Jacobs

Friday August 31, 2007

Highland Town Council
Daniel E. Dernulc, President
Town of Highland, Indiana

Dear Mr. President, Members of the Town Council, Mr. Town Manager
and Citizens of the Town of Highland:

Formal Transmittal

It is with great pride and sense of accomplishment that I submit the Comprehensive Annual Financial Report (CAFR) of the Town of Highland for the year ended December 31, 2006. As you may know, this is the *twelfth* presentation of this annual financial report presented under a format that provides a greater degree of detail and disclosure.

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted accounting standards by the Indiana State Board of Accounts. Pursuant to that requirement, the Office of the Clerk-Treasurer hereby issues the comprehensive annual financial report of the **Town of Highland** for the fiscal year ended December 31, 2006.

The report consists of management's representations concerning the finances of the **Town of Highland**. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report.

To provide a reasonable basis for making these representations, management of the **Town of Highland** has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Town of Highland's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Highland's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, the Office of the Clerk-Treasurer asserts that, to the best of its knowledge and belief, this financial report is complete and reliable in all material respects.

Professional Associations
Government Finance Officers Association
Northwest Indiana Chapter of ASPA
Municipal Treasurers Association
International Institute of Municipal Clerks
Indiana League of Municipal Clerks & Treasurers
American Institute of Parliamentarians
National Association of Parliamentarians
Indiana Association of Parliamentarians

Pi Alpha Alpha, Member
Certified Municipal Clerk
Certified Municipal Finance Administrator
Master Municipal Clerks' Academy
GFOA Award of Financial Reporting Achievement
IACT Award for Excellence in Municipal Finance

The **Town of Highland's** financial statements have been audited by the Indiana State Board of Accounts, an entity comprised of licensed certified public accountants and established by IC 5-11-1 to review and perform the external audit of governments in Indiana. The goal of the independent audit is to provide reasonable assurance that the financial statements of the **Town of Highland** for the fiscal year ended **December 31, 2006**, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The State Board of Accounts concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the **Town of Highland's** financial statements for the fiscal year ended **December 31, 2006**, are fairly presented in conformity with GAAP. The State Board of Accounts' report is presented as the first component of the financial section of this report.

GAAP requires that the management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The Town of Highland's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Town of Highland provides general governmental services. Police, Emergency Medical Services and Fire Departments provide such public safety services as traffic control, limited criminal investigation, property protection, local law enforcement, ambulance services, fire suppression and fire prevention. Other departments provide additional governmental services such as local code enforcement, planning, zoning, construction inspection, street and road maintenance, infrastructure maintenance and construction, solid waste collection and disposal, recycling, and limited cultural and recreational activities. Under Indiana law, the Highland Town Council also serves as the Works Board for the Town. The governing body for the Town's Water Utility is the Board of Waterworks Directors. In addition, the Board of Sanitary Commissioners is the governing body for the Sewage (Wastewater/Storm water) Utility. The Water Utility and the Sanitary District are reported as enterprise funds depicted as *business activity* of the primary government.

The primary government is governed by and operates under a five (5) member Town Council. The five (5) members run from different districts or "wards" but are elected by the voters of the entire town for a term of four (4) years. The Town Executive is the Town Council President who is elected by the Town Council from its membership. In addition, a Town Clerk-Treasurer is elected by the voters of the whole town for a term of four (4) years. The Clerk-Treasurer serves as the clerk of the legislative body and of the town, as well as the chief fiscal officer of the municipality and its departments. In March of 2006, the Town Council voted to hire its first Town Manager, converting the Town government to the Council-Manager plan.

The annual budget serves as the foundation for the **Town of Highland's** financial planning and control. All departments of the Town of Highland are required to submit requests for appropriation to the Town Council President and the Clerk-Treasurer on a date determined annually. The requests are then compiled and reviewed by the Town Council, the Town Council President and the Clerk-Treasurer. The Town Council is required to hold a pre-adoption hearing and an adoption hearing on the proposed budget. The budget as adopted must be within the property tax controls set forth in IC 6-1.1-18.5. The budget must be adopted no later than September 30 in a given year. The appropriated budget is prepared by fund, function and department. The budget then is reviewed by the Indiana Department of Local Government Finance (DLGF) for compliance with IC 6-1.1-17 and the tax controls statute to which I earlier alluded. *In normal years*, the budget approving order is issued by the DLGF no later than February 15 of the year following the adoption by the budgetary body.

Transfers of appropriations between major categories of expense may be made only upon the approval of the Town Council as fiscal body. Transfers between departments require a special hearing published by legal notice just as if an additional appropriation was being sought.

Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, the comparison is presented on **page 61** as part of the basic financial statements for the governmental funds. The other major governmental fund, the Parks and Recreation Fund, has this comparison depicted on **page 63**. For governmental funds, other than the general fund with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which begins on **page 67**. Also included in the governmental fund subsection are project length budget to actual comparisons for each governmental fund for which a project length budget has been adopted.

General Description

Highland is one of the "Ridge Communities," so-called because of the high ground that runs east-west through the northern part of the Town. The Ridge was once a beach-front for the receding waters of the Ice Age Lake Chicago. The Town of Highland was incorporated April 4, 1910.

The Town of Highland is essentially a residential community with retail and service establishments and a small cohort of light industry. Although it is important to point out that as of the assessing period for the year 2000, commercial/industrial properties represent the majority of the tax base at approximately 57%, while residential property represents approximately 40% of the tax base. The growth of the Town since the 1930 census can be attributed to the demand for residential sites in an area near the industrialized Calumet Region of northern Lake County. Today, Highland is one of Indiana's largest "towns," as the 8th largest municipality in the county and 30th out of 567 in the state, with a 2000 census population of approximately 23,546.

Commerce and Transportation

The Town of Highland is located in Northwestern Indiana in Lake County, approximately 30 miles southeast of Chicago and 150 miles northwest of Indianapolis. The Tri-State Expressway (Interstate 80/94) is located just north of the Highland town limits. Other routes accessible to Town residents include Interstate 90, U. S. Highways 41 and 6, and State Roads 152 and 912. Interstate 65 is approximately seven miles east of Highland. This close proximity to those major cities and the accessibility to transportation routes have allowed Highland to attract several new retail and commercial establishments as well as new residents from nearby Illinois.

Access to downtown Chicago is facilitated by bus services and the South Shore Railroad. Nearby Gary/Chicago Municipal Airport and the Griffith Airport furnish charter air services. Highland is within approximately sixty miles of O'Hare International Airport and Midway Airport, both located in Chicago.

Education

Public Education is provided by the School Town of Highland, which is a separate and distinct public entity governed by a separately elected Board of School Trustees. The Board is comprised of five (5) persons elected for terms of four (4) years on a staggered basis. The election is non-partisan. The School Town of Highland reported a combined enrollment of 3,451 for the 2005-2007 term. It maintains four (4) elementary school buildings, one (1) middle school, and one (1) high school. The following table indicates enrollment for the 2005-2006 and the preceding twelve (12) terms:

School Town of Highland

<u>School Year</u>	<u>Enrollment</u>
2005-06	3,451
2004-05	3,416
2003-04	3,382
2002-03	3,340
2001-02	3,306
2000-01	3,233
1999-00	3,250
1998-99	3,232
1997-98	3,258
1996-97	3,219
1995-96	3,279
1994-95	3,207
1993-94	3,195

Private, religious education is also available from four (4) other schools in Highland. Our Lady of Grace School, associated with the Gary Diocese, offers

education for grades Kindergarten through Eight. Highland Christian School, an independently organized school affiliated with the Christian Reformed Church of America, offers education from Kindergarten through Eighth grade. The Calumet Baptist School was an independent school offering grades seven through twelve in Highland, but in 2005 moved its facility to nearby Griffith, Indiana. Calvary Christian School offers education Kindergarten through 8 and assumed some of Calumet Baptist's enrollment. A summary of the private school enrollment is set forth in the following table:

	Our Lady of Grace	Highland Christian	Calumet Baptist (closed)	Calvary Christian
2005-2006	176	349		88
2004-2005	171	348	23	92
2003-2004	192	345	199	
2002-2003	231	360	200	
2001-2002	230	340	220	
2000-2001	238	355	289	
1999-2000	262	363	314	
1998-1999	273	372	311	
1997-1998	292	424	335	
1996-1997	299	388	335	

Cultural and Recreational Survey

The Town of Highland, through its Parks and Recreation Department, governed by a Park and Recreation Board, maintains 22 parks totaling 250 acres. The department also hosts and maintains the 4 mile Cross-Town Bike Trail. Highland's parks offer playground facilities, picnic areas, fishing ponds, tennis courts as well as baseball, softball and soccer fields. The Parks and Recreation Department also operates a year-round community and senior citizens center, Lincoln Community Center, which now features a 36,000 square foot athletic fieldhouse. The department offers arts & crafts programs and various other family activities to area residents. A community band and summer musical theater program is also featured. In addition, the department publishes and distributes three times annually to all Highland residents a program brochure which features most of the programs described.

The Parks and Recreation Department was instrumental in creating the Cooperative Special Recreation Initiative (CRSI). This is a shared effort between local parks and recreation departments to provide recreational opportunities for people with special needs.

Northwest Indiana also is home to the Northwest Indiana Symphony, which plays concerts in the Radisson Star Theater in Merrillville, as well as venues throughout the area, which has included on occasion, Highland's Main Square Park.

Highland is located in the *Lake County Library District*, one of seven Library Districts in Lake County. The Highland Branch is one of the largest branches in the Lake County Library system. In addition to traditional lending of books, the library also provides many programs for many interests. Reading groups for all

ages, business and tax planning seminars, and arts and crafts instruction are among the offerings.

Information Useful in Assessing the Government's Economic Condition

Highland boasts a 60-acre shopping center, Highland Grove, initiated during the summer of 1995. It continues to operate successfully and enjoys nearly full occupancy as of this writing. The shopping center includes national and regional chains such as a Target Store, and a Kohl's Department Store. In addition, there is an Office Max, a KB Toys Store, a Famous Footwear Shoe Store, and a Borders Book Store.

Retail, commercial and service sectors continue to be prominent in driving local new development in Highland. 48% of employees in Highland work in retail trade. The portion of Highland workers in Accommodation and Food Service is 17.3%. You may wish to review **page 155** in the statistical section and review a summary of the 2002 Economic Census.

Very near the Highland Grove Mall site, a Meijer store is in operation. Meijer is a regional retailer which features the "hyper market" or "hyper store" concept. A hyper market store blends the grocery store with the department and automotive store to form a potentially single stop shopping venue. As previously stated, Meijer market's primary building possesses 237,000 square feet of space to be used by a single retailer. In addition, a 4,662 square foot professional office building is located there, housing professional and insurance services. These join a 1950's retro-designed McDonald's Restaurant and a 12,786 square foot, two-story structure established to house a multi-service site for **First Midwest Bank**, a nationally chartered bank. Finally, a **Discount Tire** was recently added to the site. Also complimenting the existing retail, banking and professional development is an Office Depot.

This area has become an impressive commercial, retail and restaurant development in recent years. It is significant to note that while the development which lies east of Indianapolis Boulevard is considered an economic development area, no allocation area (TIF) exists and no special incentives were employed to foster this development.

At the start of 1996, approximately 758 acres, or 21%, of Highland remained undeveloped, although much of the space is the subject of development proposals. At the close of 2006, the amount of the undeveloped land was reduced greatly. Even with so much retail and commercial development, residential development continues to occur as well. By the close of 2006, building permits were issued for 26 single-family dwellings, 1 multi-unit building, 3 Institutional, Commercial or Industrial and 1,343 miscellaneous permits.

Finally, the continuing presence of three Lake Michigan-based gaming and showboats in the nearby lake shore communities of Gary, Hammond, and East Chicago continue to provide additional employment and financial opportunities. In fact, all three of these gaming sites, Hammond's *Horseshoe/Harrah's*, Gary's *Majestic Star* and *Resorts East Chicago*, continue to make the list of the area's larger employers.

Donald L. Coffin, Ph.D., an area economist and associate professor of economics at Indiana University Northwest, notes in a recent article in the Indiana Business Review, Outlook 2007, Vol. 81, No. 4, that between 1995 and 2006 employment in Northwest Indiana grew at an average annual rate of 0.22 percent. Indiana statewide employment grew at an annual average of 0.60 percent and in the nation at a 1.32 percent rate during the same period. Dr. Coffin suggests that while seemingly meager overall, the statistic conceals the strength in some sectors. Construction employment grew at an average annual rate of 1.56 percent and Health Services employment grew at a rate of 2.30 percent, in Northwest Indiana.

Dr. Coffin indicated that weekly earnings grew more rapidly locally than the state in the construction, manufacturing, and wholesale trade while transportation, utilities, finance and health care grew more slowly.

Dr. Coffin, while describing some challenges for new business locating to Northwest Indiana, commends the Port of Indiana as an extremely strong asset for the Region.

Dr. Coffin describes the construction and health care services sectors as likely to offer the strongest growth in employment in Northwest Indiana. Dr. Coffin further suggests that the local economy in general will likely generate smaller increases in employment than the national economy. Dr. Coffin reflected on his forecast for employment growth last year at 0.2 percent, noting that the local economy grew "considerably more than that bolstered by a stronger national economy."

Based upon the projected performance of the national economy, Dr. Coffin forecasts 0.4 percent growth overall employment, representing about 1,900 net new jobs. Dr. Coffin further suggests that if the national economy experiences a slowdown or recession, the forecast would be less positive. Dr. Coffin notes the recent announcement of significant investment and expansion by the BP Refinery, located in Northwest Indiana.

In short, Dr. Coffin suggests that the economic forecast presented in Indiana Business Review, is cautiously optimistic regarding national economic prospects. Dr. Coffin further offers that the uncertainties in the national economy and Northwest Indiana's "still considerable-concentration of activity in cyclically sensitive industries (steel and other metals; chemical; petroleum products)" even a mild downturn in the national economy could affect the local economy.

The Town of Highland, while not insulated from the character of the economy, has been able to maintain operations and manage spending. It is in this context that the Town of Highland continues to enjoy a stable outlook. However, the State Legislature continues to legislate and urge possible changes to the system of public finance that could affect this outlook.

There was a General Reassessment in our County in FY 2003, which moved the assessment of real property toward a market based system. At reassessment, the metric was values at 1999. In 2007, there was conducted statewide "trending",

designed to update market values to the 2005 values for the purposes of property taxation. Not unlike the general reassessment, the recent "trending" created a delay in collections of property taxes. The Indiana General Assembly did pass a law to permit the County Treasurers to issue lawfully binding "provisional tax bills," which at least in part ameliorated the problem of cash and collections for local governments, including the Town of Highland. The settlement of Pay 2006 taxes was made in early January of 2007. As of this writing, local governments have received some distribution of property tax replacement money and excise taxes, but bills for Pay 2007 have yet to be sent to taxpayers. Several target dates for the bills have come and gone owing to new complications.

It is now expected that the Pay FY 2007 tax bills may not be issued until very late this year or perhaps next year. The economic prospect for Highland, even in the context of the foregoing, is still stable. It is expected that service levels should be maintained.

Long-Term financial planning. Even with the foregoing tax complications, the Town Council and other boards of the Town continue to explore capital plans, but are circumspect. The Governor appointed a Blue Ribbon Panel, Chaired by the former Governor, Joseph Kernan and the Chief Justice of the Indiana Supreme Court, Randall Sheppard, to consider the current tax problem and examine the structure of Indiana government at all levels. The commission is tasked with reporting by year end.

The Board of Sanitary Commissioners continue to carry out plans for making several sanitary and storm water improvements financed by a 2007 special taxing district bonds issued in the amount of \$3,500,000.

The Park and Recreation Board issued special taxing park district bonds of 2006 in the amount of \$1,850,000 to support repair and retrofit of the Main Square Park, a premier park in the center Town and to replace equipment.

In addition, the Redevelopment Commission issued its own special taxing district redevelopment bonds of 2006 in the amount of \$1,750,000 in consequence of an interlocal cooperation agreement with the Redevelopment Commission of Hammond to raze blighted buildings and to reclaim property that is on the northern border of the Highland's Redevelopment Corridor but located within the corporate limits of Hammond.

Cash management policies and practices. The Town has for many years followed the policy of paying for goods or services received within 30–45 days of receipt of vendor billing. While investment earnings are reduced by this policy, we believe such a policy reinforces the worthiness of the Town as to its credit integrity and its moral ethos. However, we follow an aggressive policy with respect to projecting cash requirements, keeping temporarily idle funds invested in fully secure investments. The Town, through its Office of the Clerk–Treasurer, has also developed a written investment policy which employs the "most prudent investor" rule. Investments are made pursuant to this policy and Indiana statutes.

Section Five of the Investment Policy reads in pertinent part: "The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the entity's investment risk constraints established by IC 5-13-9 *et seq.* and cash flow needs." It further reads: "the basis used by the Clerk-Treasurer to determine whether market yields are being achieved shall be the ninety (90) days Treasury Bills rate."

For the period just ended. Fixed Market yields are highly correlated to the intended federal funds rate. There were four different changes to the rate by the Board of Governors. In January the intended rate was 4.50%. The rate increased in the months of March and May by 25 basis points until stabilizing in June at 5.25%. In 2006, the slightly less demanding liquidity pressures in some funds and slightly higher average available fund balances contributed to higher overall yield for the year as compared to last. The Town continued to use a special offer deposit account, offering above market interest rates, matching the intended federal funds rate, as the preferred investment instrument. Certificates of deposits were not used because the yield for the short periods of obligation were insufficient and the term for higher yields were too long for our liquidity needs. The average 90-day T-bill rate was 3.652%, which is the usual benchmark or investment metric. The LGIP had a high average percentage yield of 5.15% APY and a low of 4.11% APY. The annualized average rate was 4.79%. The special rate passbook still bested this instrument, but some proceeds were placed in the LGIP for portfolio diversity.

Indiana public investment law remains risk adverse in its orientation. It includes two or less years limits on maturities. Average available cash was slightly higher in 2006 than in 2005. A local depository offer above market rates for governments only that paid the Federal Funds Rate. Investments exceeded the 90 T-Bill benchmark by 159.8 basis points. Investment rate of return exceeded the LGIP high rate by 10 basis points, the LGIP low rate by 114 basis points and the annual average rate for the LGIP by 46 basis points. All instruments exceeded the 90-Day T-bill rate. Finally, at December 31, 2006 the amount of funds in the investment portfolio was \$8,679,408.82, which represented 78% of available cash.

Risk Management. We have been fortunate that our attentiveness to detail, thoroughness, and fairness with respect to policies and issues has resulted in minimal risks related to costs to the Town. We frequently reassess our risk management positions and carriers and have historically involved members of the community with significant knowledge of the area in these assessments. The establishment of a specific Town Council subcommittee that assists with risk management is an example of this policy of involvement. Further, the Town Council has established a formal Risk Management and Safety Committee, which has as its charge the enhancement of safe work practices. Also, the Metropolitan Police Department convenes an Accident Review Board, which evaluates all police related automobile accidents and makes findings and determinations regarding their severity. In short, the Town of Highland has an on-going and meaningful commitment to risk management.

Pension and other post employment benefits. The Town of Highland participates in the Public Employees Retirement Fund (PERF), which is an agent multiple-employer defined benefit pension plan for our full-time non-public

safety employees. Indiana law governs the participation. Annually, PERF actuaries determine the employers' contribution as a percentage of covered payroll. In fiscal year 2006, the employer's share of the pension cost was 7.0%. In 2007 the rate is 7.25%. In addition, the pension plan requires and includes an annuity or forced savings account, funded from a contribution of three percent of covered wages and salaries. Unless the employer by proper legislative action elects to pay this on behalf of the employee, employees are required to contribute this amount. The Town of Highland pays the employee's share.

The Town of Highland participates in two pension plans, governed by Indiana law, for its full-time public safety (law enforcement) employees.

For full-time public safety employees hired by the Town before May 1, 1977, the Town sponsors a single employer defined benefit plan. The plan provides for retirement, disability and death benefits to plan members and beneficiaries. The law governing this pension plan was first enacted in 1925 and is still guided by the then extant understanding of pension savings as a "pay as you go" design. This non-actuarial design has persisted through the years. For some additional understanding of this please see the notes to the Financial Statements, beginning on **page 52**.

For full-time public safety employees hired by the Town after April 30, 1977, the Town participates in a cost-sharing multiple-employer defined benefit plan. The plan provides for retirement, disability and death benefits to plan members and beneficiaries. For some additional understanding of this plan please see the notes to the Financial Statements, beginning on **page 57**.

Independent Audit. We are very pleased that the Indiana State Board of Accounts has determined that the financial statements of the Town of Highland present fairly, in all material respects, the financial position and results of operations of the various funds and account groups for the year ended December 31, 2006. We continue to appreciate the professional **independence** and dedication to excellence exhibited by the Indiana State Board of Accounts with respect to the town's CAFR preparation and its external audit process.

Awards and Acknowledgements.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the **Town of Highland** for its comprehensive annual financial report for the fiscal year ended December 31, 2005. This was the eleventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Town believes its current report continues to meet the Certificate of Achievement Program requirements, and it is being submitted to GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not have been accomplished without the persevering service of the entire staff of the Clerk-Treasurer's Office: Shirley Frankiewicz, Sylvia Ricketts, Rachel Ritchey, Kelley Hugus, Dawn Kovacich, Debra Seremet and Denise Jacobs. I also wish to thank and acknowledge the Deputy Clerk-Treasurer, Carol Morrison, for her assistance.

Further, I thank the members of the Town Council, the Board of Waterworks Directors and the Board of Sanitary Commissioners for their support of the development of this **twelfth** CAFR and their support for enhanced financial reporting.

The Town joins me in expressing particular appreciation for the assistance and cooperation of Charles W. Pride, C.P.A.; Mary Jo Small, C.P.A.; and Cynthia David, C.P.A., all of the Indiana State Board of Accounts, who offer continuing guidance in the preparation of these reports. In addition, the Town joins me in expressing particular appreciation for the professional industry, assistance and cooperation of Carla Wenger, C.P.A., Cynthia David, C.P.A., Jeff Kopkey, and Sarah Kotys of the Indiana State Board of Accounts for the timely and thorough completion of their independent audit and their special efforts in the development of this twelfth CAFR.

I also continue to thank Dean Karen Evans and the academic leadership, the faculty and the staff of the School of Public and Environmental Affairs at Indiana University Northwest for providing the continuing encouragement to pursue excellence in public service. It is an ideal that is also encouraged and shared by the Government Finance Officers' Association and it informs the work of preparing this and all comprehensive annual financial reports. I also acknowledge the assistance of the Center for Data Collection and Analysis, the Lake County Treasurer as well as the Director of Finance, in the Office of the Lake County Auditor for data retrieval and additional research.

It is with a deep sense of professional satisfaction that I submit to the Town leadership and to *the citizens we serve* this 2006 Comprehensive Annual Financial Report for the Town of Highland.

Sincerely,

A handwritten signature in black ink that reads "Michael W. Griffin". The signature is written in a cursive style with a large, stylized initial "M".

Michael W. Griffin, IAMC/CMC/CPFA
Clerk-Treasurer

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Highland
Indiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

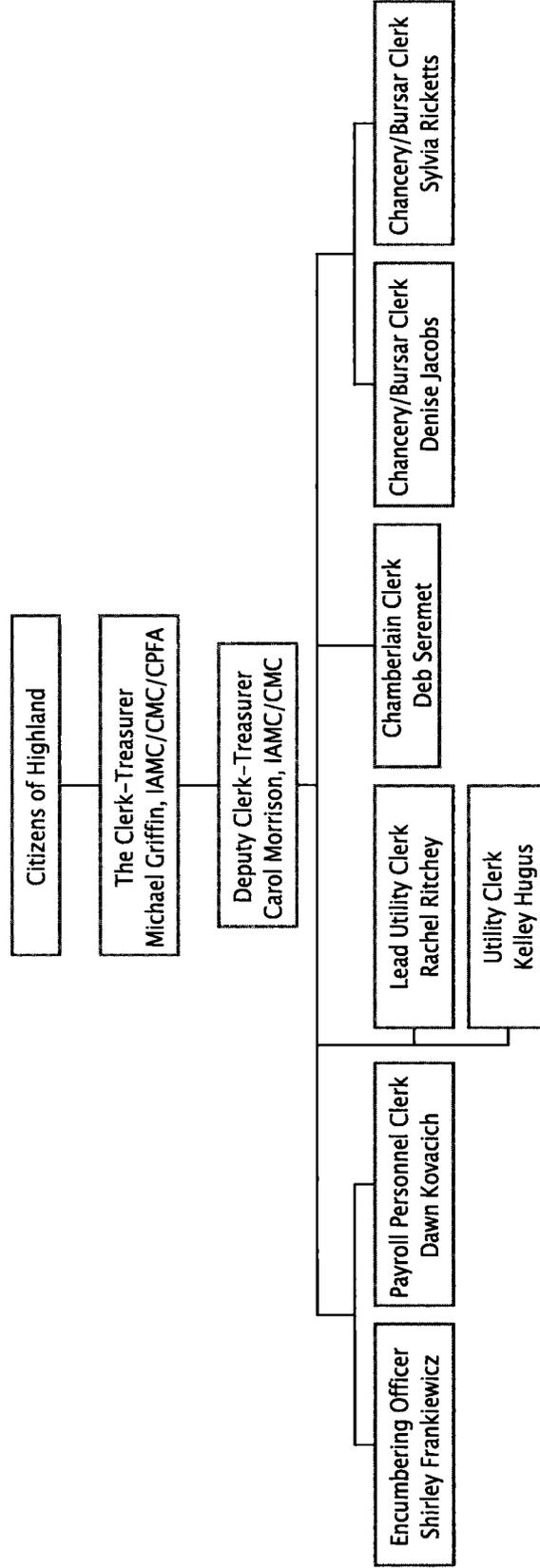
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



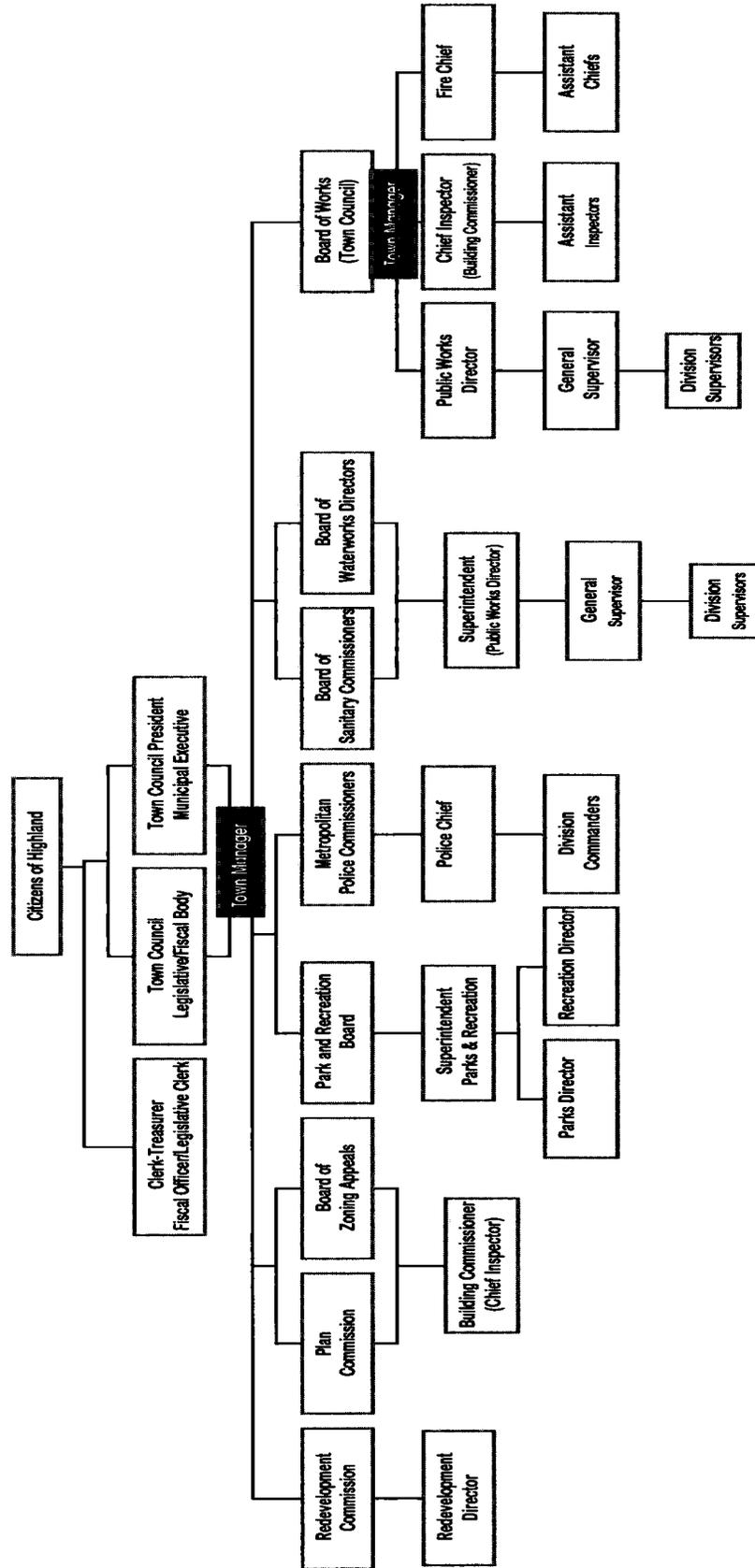
President

Executive Director

Office of the Town Clerk-Treasurer



Municipal Government of Highland



TOWN of HIGHLAND
LISTING of ELECTED and PRINCIPAL OFFICIALS
at DECEMBER 31, 2006

<u>Elected Officials</u>	<u>Years of Service</u>	<u>Occupation</u>
Joseph A. Wszolek, ABR/GRI, Town President	2000-2006	Real Estate Appraiser <i>Wszolek & Assoc.</i>
Daniel E. Dernulc, Vice President	2004-2006	Executive <i>SBC Inc.</i>
Bernie Zemen, Town Councilor, 1 st Ward	2004-2006	Supervisor <i>Mittal Inland Steel</i>
Mark A. Herak, Town Councilor 2 nd Ward	2000-2006 1980-1990	Executive <i>Navistar</i>
Robert Helmer, Town Councilor, 3 rd Ward	2004-2006	Supervisor <i>Union Tank</i>
Michael W. Griffin, IAMC/CMC/CPFA, Clerk-Treasurer 1992-2006		Chief Fiscal Officer <i>Town of Highland</i>

Attorneys and Consulting Professionals (2006)

Town Attorney:	Rhett Tauber, Tauber, Westland & Jasaitis
Waterworks Board Attorney:	Rhett Tauber, Tauber, Westland & Jasaitis
Plan Commission Attorney:	David Westland, Tauber, Westland & Jasaitis
Metropolitan Police Commission Attorney:	Rhett Tauber, Tauber, Westland & Jasaitis
Board of Sanitary Commissioners Attorney:	John Tweedle, Tweedle & Skozen
Municipal Ordinance (Solicitor) Attorney:	Michael Jasaitis, Tauber, Westland & Jasaitis
Redevelopment Commission:	David Westland, Tauber, Westland & Jasaitis
Town (Works Board) Engineer:	Terry Hodnik, P.E., NIES Engineering
Plan Commission Engineer:	John Phipps, P.E., NIES Engineering
Waterworks Engineer:	Terry Hodnik, P.E., NIES Engineering
Sanitary District Engineer:	Terry Hodnik, P.E., NIES Engineering

Appointed Department Leadership (2006)

Town Position

Richard Underkofler	Town Manager
John M. Bach	Public Works Director/Utilities Supt.
Peter T. Hojnicky	Metropolitan Police Chief
William Timmer, Jr.	Fire Chief
Alex M. Brown, CPRP	Parks and Recreation Superintendent
Kenneth Mika	Building Commissioner/Chief Inspector
Cecile Petro	Redevelopment Director

SENIOR ASSOCIATE STAFF

Office of the Clerk-Treasurer

Carol L. Morrison, IAMC/CMC

Deputy Clerk-Treasurer

Department of Public Works

Jack Lannon

General Supervisor

Timothy Gembala

Division Supervisor Water & Sewer

Kevin Huzzie

Division Supervisor Streets & Sanitation

Mike Pipta

Supervisor Facilities

John Mouratides

Supervisor Maintenance

Metropolitan Police Department

Acting Sgt. Ralph Potesta

Criminal Investigations Division

Cmdr. Patrick Vassar

Patrol Division

Building and Inspection Department

Randy L. Bowman

Associate Inspector - Electrical

John Earnshaw

Associate Inspector - Plumbing

David Jones

Associate Inspector - Code Enforcement

Parks and Recreation Department

Pamela Baldin

Director of Recreation

Chris Kubisz

Director of Parks

Fire Department

Rodger Lewis

Assistant Chief for Safety

Donald Scheidt

Assistant Chief for Planning

Kenneth Mika

Assistant Ground Operations Chief

Michael Pipta

Assistant Ground Operations Chief

Fred Wanicki

Assistant Ground Operations Chief

TOWN COUNCIL and CLERK-TREASURER for 2007

Daniel E. Dernulc

President

Joseph A. Wszolek

Vice President

Bernie Zemen

1st Ward

Mark A. Herak

2nd Ward

Robert Helmer

3rd Ward

Michael W. Griffin, IAMC/CMC/CPFA

Clerk-Treasurer

Richard Underkofler

Town Manager

TOWN of HIGHLAND
LISTING of MUNICIPAL BOARDS and COMMISSIONS
at DECEMBER 31, 2006

Municipal Plan Commission

Daniel J. Buksa, President	03/01/03 to 1 st Monday January 2010
Judith Mayer	1 st Monday June to First Monday in January 2009
Tom Agler	1 st Monday Feb 2004 to 1 st Monday Jan 2008
David Jones	Legislative Appointment
Robert Helmer	Legislative Appointment
Joseph A. Wszolek, ABR/GRI	Legislative Appointment

Advisory Board of Zoning Appeals

Daniel J. Buksa, President	Coextensive with Plan Commission Term 1 st Monday January 2006
Gail L. Barenie	1 st Monday Jan 02 – 1 st Monday January 2006 <i>Executive Appointment – citizen member</i>
Steven W. Wagner	1 st Monday Jan 03 – 1 st Monday January 2007 <i>Executive Appointment - citizen member</i>
Tom Agler	Coextensive with Plan Commission Term 1 st Monday January 2008
Tom Palmer	1 st Monday Jan 06 – 1 st Monday January 2009

Board of Water Works Directors

Joseph Pavnica, President	First Monday in 2005 to 1 st Monday in 2008
Keith E. Bruxvoort	Unexpired term to 1 st Monday in 2008
Ed Golumbeck	First Monday in 2004 to 1 st Monday in 2007
Philip E. Pena	04/01/2006 – First Monday in 2009
Rev. Arthur Burkman	First Monday in 2006 – First Monday in 2009

Board of Sanitary Commissioners

David Jones, President	01/01/2004 - 12/31/2007
August Hawkins	02/10/2003 - 12/31/2006
Joseph Fraley	01/08/2005 - 12/31/2008
Donal W. Downey	05/23/2005 - 12/31/2008
Jeanne Moseley	01/28/2002 - 12/31/2009

Park and Recreation Board

Thomas Arnold, President	1 st Monday Jan 2004 - 1 st Monday Jan 2008
Carolyn Turich	1 st Monday Jan 2005 - 1 st Monday Jan 2008
Carlos O. Aburto	July 1 st 2006 - 1 st Monday Jan 2007
Edward Dabrowski	1 st Monday Jan 2006 - 1 st Monday Jan 2010
Lawrence Vassar, School Board Appointment	Coextensive with School Board Term
Dennis Tobin	Library Board Appointment

Town Board of Metropolitan Police Commissioners

Danny Stombaugh, Chairman	02/01/2004 - 01/01/2007
James M. Turoci	01/24/2005 - 01/01/2008
John Koval	02/01/2004 - 01/01/2007
Jim DeGraaf	02/10/2003 - 01/01/2009
Patricia Van Til	02/13/2006 - 01/01/2009

Redevelopment Commission

Adam Gawlikowski, President	1 st day in May 2006 - 1 st day in Jan 2007 <i>(Legislative appointment)</i>
Dominic Noce	1 st day in May 2006 - 1 st day in Jan 2007 <i>(Executive appointment)</i>
Brice Johnson	1 st day in Jan 2006 - 1 st day in Jan 2007

Rex Burton	(Executive appointment) 1 st day in May 2006- 1st day in Jan 2007
Bernie Zemen	(Executive appointment) 1 st day in Feb 2006 - 1st day in Jan 2007 (Executive appointment)

Lake County Convention and Visitors Bureau Board Member

Mary Rakoczy	07/01/2004 - 06/30/2007
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Northern Indiana Regional Planning Commission Member (NIRPC)

Michael W. Griffin	7/01/03 (Serves at pleasure of executive until recalled)
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The Park Advisory Council of Community Events

Karen Biernacki	1/1/06 – 12/31/06
Pamela Bruncker	1/1/06 – 12/31/06
John Breslin	1/1/06 – 12/31/06
Lisa Gauthier	1/1/06 – 12/31/06
Shelly Glenn	1/1/06 – 12/31/06
Rose James	1/1/06 – 12/31/06
Neil Mantel	1/1/06 – 12/31/06
Maureen Mantel	1/1/06 – 12/31/06
Edward Olivo	1/1/06 – 12/31/06
Bob Roach	1/1/06 – 12/31/06
Laurel Roach	1/1/06 – 12/31/06
Karen Stack	1/1/06 – 12/31/06
Jim Stack	1/1/06 – 12/31/06
Bill Vargo	1/1/06 - 12/31/06
Karen Ziants	1/1/06 – 12/31/06

Board of Trustees of the 1925 Police Pension Fund

Joseph A. Wszolek, President	Co-extensive with Council Presidency
Chief Peter T. Hojnicky	Co-extensive with Service as Chief
Michael W. Griffin, IAMC/CMC/CPFA	Co-extensive with Elected Term
Cpl. David Calarie	Feb 2001-Feb 2007
Cmdr. Kenneth Balon (Retired Member)	Feb 2003-Feb 2008
Dpty. Cmdr. George Georgeff	Feb 2006-Feb 2009
Cmdr. Patrick Vassar	Feb 2005-Feb 2008
Sgt. Timothy Towasnicki	Feb 2007-Feb 2007
Sgt. John Banasiak	Feb 2006-Feb 2009

Notable Related Appointments of Assignments of Elected Officials

Joseph A. Wszolek, ABR/GRI	Town Executive (I.C. 36-1-2-5-(4); I.C. 36-5-2-2; I.C. 36-5-2-7) Board of Trustees of the Police Pension Fund, Chair Finance Committee Chair Advisory Board of Zoning Appeals, Liaison Building and Inspection Department Committee
Bernie Zemen	Town Board of Metropolitan Police Commissioners, Liaison Insurance and Benefits Committee Chamber of Commerce, Liaison Park and Recreation Board, Liaison Redevelopment Commission
Mark A. Herak	Board of Sanitary Commissioners, Liaison Board of Waterworks Director, Liaison Public Works Committee
Robert Helmer	Town Hall and Buildings Committee
Daniel Dernulc	Fire Department Committee VIP Committee Insurance and Benefits Committee
Michael W. Griffin	Indiana League of Municipal Clerks & Treasurers State Vice President Past State Secretary Past State Treasurer Past Executive Director Education Committee Legislative Committee Past Parliamentarian Indiana Accredited Municipal Clerk International Institute of Municipal Clerks Certified Municipal Clerk (CMC) Member, Master Municipal Clerks Academy Chair, Committee on Programs and Certification Municipal Treasurers Association of US and Canada Certified Public Finance Administrator (CPFA) Committee on Membership American Society for Public Administration Past President, Northwest Indiana Chapter <i>Honorary</i> Field Examiner, Indiana State Board of Accounts Pi, Alpha, Alpha Public Administration Academic Fraternity County of Lake Initiative for Fair Taxation, Co-Chair Board of Economists, The Times Editorial Advisory Board, The Times Adjunct Instructor Indiana University (NW) School of Public and Environmental Affairs CATV Committee/Consortium Representative

Town of Highland
Elected Officers and Key Department Officials Wage and Salary 2006

Office of the Town Council (Elected)

Meets 2nd & 4th Mondays at 7:00 p.m.

* Elected officials serve for a term of four years commencing noon January 1, 2004 through before noon January 1, 2008 and until a successor is elected and qualified.

4th Ward Council

Joseph A. Wszolek, ABR/GRI

Salary: \$1,226 per month / \$ 14,712 annually

Town Council President

(R) -- 1/1/2004 - 01/01/08*

5th Ward Council

Daniel E. Dernulc

Salary: \$ 1,164 per month / \$ 13,968 annually

Town Council Vice President

(R) -- 1/1/2004 - 01/01/08*

1st Ward Council

Bernie Zemen

Salary: \$ 1,164 per month / \$ 13,968 annually

(D) -- 1/1/2004 - 01/01/08*

2nd Ward Council

Mark A. Herak

Salary: \$1,164 per month / \$13,968 annually
\$60 per month Longevity

(R) -- 1/1/2004 - 01/01/08*

3rd Ward Council

Robert Helmer

Salary: \$ 1,164 per month / \$ 13,968 annually

Town Council Vice President

(R) -- 1/1/2004 - 01/01/08*

Office of the Town Clerk-Treasurer

Clerk-Treasurer (Elected)

Michael W. Griffin, IAMC/CMC/CMFA

Salary: \$2,350.00 bi-weekly / \$ 61,100. annually
Waived longevity

(D) -- 1/1/2004 - 01/01/08*

Deputy Clerk-Treasurer (Appointed)

Carol L. Morrison

Salary: \$1,627.12 bi-weekly / \$ 42,305.12 annual base pay
plus longevity of \$1,040 = \$ 43,345.12

Office of the Town Manager

Town Manager

Richard Underkofler

Salary: \$3254.35 bi-weekly / \$84,613.10 annual base pay

Metropolitan Police Department

Metropolitan Police Chief

Peter T. Hojnicky

Salary: \$ 2,635.13 bi-weekly / \$ 68,513.38 annual base pay
Plus longevity of \$1040.
plus Clothing \$950 plus car = \$70,503.38

Public Works Department

Public Works Director Superintendent of Sanitary District & Waterworks

John M. Bach

Salary: \$ 2,769.34 bi-weekly / \$ 70,002.84 annual base pay
plus longevity of \$ 1,206.40 plus car = \$ 73,209.24

Building and Inspection Department

Chief Inspector/Building Commissioner

Kenneth Mika

Salary: \$ 2,086.75 bi-weekly \$54,255.50 annual base pay
plus longevity of \$ 852.80 = \$ 55,108.30

Fire Department

Fire Chief

William R. Timmer, Jr., CFOD

Salary: \$ 2,086.75 bi-weekly \$ 54,255.50 annual base pay
Plus longevity of \$374.40
Plus clothing \$ 950 plus car = \$ 55,575.90

Assistant Fire Chief for Safety

Rodger Lewis

Salary: \$1,500. annually
Plus \$11.35 hourly for Training and Fire Calls
Plus \$200.00 annually for Auto and Clothing

Assistant Fire Chief for Logistics and Planning

Donald Scheidt

Salary: \$1,200. annually
Plus \$11.35 hourly for Training and Fire Calls
Plus \$200.00 annually for Auto and Clothing

Assistant Fire Ground Operations Chief

Ken Mika

Salary: \$1,200. annually
Plus \$11.35 hourly for Training and Fire Calls
Plus \$200.00 annually for Auto and Clothing

Assistant Fire Ground Operations Chief

Michael Pipta

Salary: \$1,200. annually
Plus \$11.35 hourly for Training and Fire Calls
Plus \$200.00 annually for Auto and Clothing

Assistant Fire Ground Operations Chief

Fred Wanicki

Salary: \$1200. annually
Plus \$11.35 hourly for Training and Fire Calls
Plus \$200.00 annually for Auto and Clothing

Parks and Recreation Department

Parks & Recreation Superintendent

Alex M. Brown, CPRP

Salary: \$ 2,225.12 bi-weekly \$ 57,853.12 annual base pay
Plus longevity \$374.40
Plus car = \$ 58,227.52

Redevelopment Department

Redevelopment Director

Cecile Petro

Salary: 1,724.24 bi-weekly \$ 44,830.24 annual base pay

Municipal Boards and Commissions

Municipal Plan Commission

Meets 3rd Wednesdays at 7:00 p.m.

(1) President's Salary:	\$50 per month/\$600 annually
(3) Citizen Members Salary:	\$40 per month/\$480 annually
(3) Legislative Appointees:	No additional salary

Advisory Board of Zoning Appeals

Meets 4th Wednesdays at 7:00 p.m.

(1) President's Salary:	\$50 per month/\$600 annually
(3) Citizen Members Salary:	\$40 per month/\$480 annually
(1) Plan Commission Appointee:	\$40 per month/\$480 annually

Park and Recreation Board

Meets 3rd Thursdays at 8:00 p.m.

(1) President's Salary:	\$50 per month/\$600 annually
(3) Citizen Members Salary:	\$40 per month/\$480 annually
(1) School Board Appointee:	Fixed and paid by School Board

Town Board of Metropolitan Police Commissioners

Meets 2nd Thursdays at 7:30 p.m.

(1) Chairman's Salary:	\$50 per month/\$600 annually
(4) Other Members Salary:	\$40 per month/\$480 annually

Redevelopment Commission

Meets 2nd Wednesdays at 7:00 p.m.

(1) President's Salary:	\$50 per month/\$600 annually
(4) Other Members Salary:	\$40 per month/\$480 annually

Park Advisory Council of Community Events

Meets 2nd Tuesdays of Month 7:00 p.m.

(1) President's Salary:	\$0 per month/\$0 annually
(22) Other Members Salary:	\$0 per month/\$0 annually

Waterworks Board of Directors

Meets 4th Thursdays at 7:30 p.m.

(1) President's Salary:	\$50 per month/\$600 annually
(4) Other Members Salary:	\$40 per month/\$480 annually

Board of Sanitary Commissioners

Meets 3rd Tuesdays at 7:00 p.m.

(1) President Salary:	\$183.75 per month/\$2,205 annually*
(4) Other Members Salary:	\$157.50 per month/\$1,890 annually*

* Compensation for these Sanitary Commissioners is fixed by Indiana State Law to be a minimum of \$600 annually during non-construction and \$3,600 annually during construction. By special agreement and consent current members serve for less than the entitled statutory minimum.

Traffic Safety Commission

Meets 1st Wednesdays at 2:00 p.m.

(1) President's Salary:	\$0 per month/\$0 annually
(5) Other Members Salary:	\$0 per month/\$0 annually

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Overview of Highland Municipal Government

The original plat of survey was for approximately five square miles. Presently, the Town boasts 6.9 square miles.

The Town's form of government is a Town Council which combines the legislative and administrative authority for the civil town. It also serves as the Board of Works for the Town. The Town Council President serves as the Town executive.

The five member **Town Council** is elected by voters of the whole town and serve for a term of four years. The Town Council is the fiscal body as well as the legislative body of the town. A **president** is elected by the members of the council from its membership. By tradition, that office is for a term of one-year. The president presides at meetings of the Town Council and makes appointments when law indicates that the municipal executive is authorized to do so.

In addition, the voters of the whole Town elect a **Clerk-Treasurer** who serves for a term of four years. The Clerk-Treasurer is clerk of the legislative body, custodian of the town seal, and chief fiscal officer of the civil town and its executive departments (including the Sanitary District/Public Sanitation Department, Water Works District/Department, and the Parks and Recreation department).

In March of 2006, the Town Council voted to convert to a Council-Manager form of government, appointing its first Town Manager.

Sanitary District and Sewage Works

The current Sanitary District Board of Commissioners and Department of Public Sanitation has its antecedent in the Town Board of Trustees, which under the then effective law entitled *An Act Concerning Municipal Corporations*, passed by the Indiana General Assembly, March 6th, 1905, served as a Board of Works. Sewer Extensions and Improvements were executed by the Town Board of Trustees under declaratory resolutions acting in a governance model similar to the commissioner form. Later, the Town Board of Trustees, as it was then called, passed Ordinance 586 on July 21, 1969, creating a department of public sanitation under a superintendent and managed by a board of sanitary commissioners.

In 1969, the Indiana General Assembly passed legislation which was part of its general revision of the earlier passed acts regarding sanitation districts statutes originally passed in March of 1917. Following some amendments in 1951 and 1969, the legislation provided that Indiana municipalities operating in counties having a population greater than 400,000 but less than 700,000, meaning Lake County, and each second class city by ordinance could establish and operate a municipal department of public sanitation by forming such departments as executive departments of the municipality under the direction of a board of sanitary commissioners.

On July 21, 1969, the Town of Highland passed the enabling Ordinance 586, which organized and established the department pursuant to IC 36-9-25 *et sequitur*. The ordinance essentially organized the department of public sanitation under a three member board of sanitary commissioners appointed by the municipal executive for a term of four (4) years. Later, legislation permitted up to five (5) members.

The Board of Sanitary Commissioners, as currently constituted, is a five (5) member panel, all of whom are appointed by the municipal executive for a term of four (4) years. No more than three (3) of whom may be of the same political party. The department's executive is a Superintendent of Sanitary District, appointed on the basis of his training or fitness to administer the utility to which he is assigned, who is the Public Works Director by virtue of his office .

In addition to managing the sewage works and having concurrent jurisdiction with the board of works, the Board of Sanitary Commissioners has jurisdiction over a special taxing district referred to as the Sanitary District, which is coterminous with the corporate

boundaries of the Municipality. In addition, it is empowered to issue bonds and incur bonded indebtedness not to exceed twelve percent (12%) of the net assessed valuation of the jurisdiction.

Department of Water Works and Water Works District

The current Water Works Board of Directors and Department of Water Works had its antecedent in the Highland Water & Power Company, which provided under a lease and service contract potable water to the Town, May 1, 1912. Later, the Town Board of Trustees, as it was then called, passed Ordinance 262 on December 20, 1932, creating a water department under a superintendent and managed by a water board which was two members of the Town Board of Trustees and the Town Marshall.

On January 17, 1972, the Town Board of Trustees passed Ordinance No. 544 which re-established the Department of Water Works as an executive department and provided its management by a Board of Waterworks, which was the Town Board of Trustees convened for that purpose.

In 1982, the Indiana General Assembly passed the legislation which was part of its general revision of the earlier passed so-called "home rule" statutes. Following some amendments in 1983 and 1984, the legislation provided that Indiana Municipalities operating municipal water works under authorizing legislation in effect prior to January 1, 1982, or those that would thereafter establish and operate a municipal water works would do so by forming water works departments as executive departments of the municipality under the direction of a water works board of directors. On March 28, 1993, the Town of Highland passed the enabling Ordinance 892, which organized and established the Water Works Board of Directors pursuant to IC 8-1.5-4-1 *et sequitur*. The ordinance essentially organized the Department of Water Works under a five (5) member board of directors appointed by the municipal executive for a term of (1) one year. The original ordinance provided that the members would be citizens of the community. Ordinance 892(a) passed January 14, 1985, amended the organizing ordinance to permit two (2) of the five (5) directors to be appointed from the membership of the Town Board of Trustees (Town Council).

The Water Works Board of Directors as currently constituted is a five (5) member panel, all of whom are appointed by the municipal executive for a term of one year. No more than three (3) may be of the same political party. The department's executive is a Superintendent of Waterworks, appointed on the basis of his training or fitness to administer the utility to which he is assigned, who is the Public Works Director by virtue of his office .

In addition to managing the revenue for the Water Works, the Water Works Board of Directors has jurisdiction over a special taxing district referred to as the Water Works District, which is coterminous with the corporate boundaries of the Municipality. In addition, it is empowered to issue special taxing district bonds and incur bonded indebtedness not to exceed eight percent (8%) of the net assessed valuation of the jurisdiction.

Parks and Recreation Department

The current Park and Recreation Board and Department has its antecedent in the Highland Recreation Commission, originally formed in 1947. It consisted of volunteers who would develop a plan for play and programmed activity for the playgrounds of the schools and the Town.

In 1965, the Indiana General Assembly passed the Indiana Parks and Recreation Law, revising the 1955 State Statute, which authorized cities and towns to form parks and recreation departments as executive departments of the municipality under the direction of a park and recreation board. December 5, 1966, the Town of Highland passed the enabling Ordinance 532, which organized and established the Park and Recreation Board. The first full-time department executive was hired in 1972. The first recreation associate was hired in

1978. The Parks and Recreation Department remains organized under the state statute as amended.

The Park and Recreation Board, as currently constituted, is a five (5) member panel, four (4) of whom are appointed by the municipal executive for a term of four (4) years on the basis of their interest in and knowledge of parks and recreation. No more than three (3) may be of the same political party. The fifth member is appointed by the School Board from its membership for a term no longer than the term enjoyed as a School Board trustee. The department's executive is a Superintendent of Parks and Recreation who is appointed based upon training or education in the field of parks and recreation.

Department of Public Works

The first executive department of the municipality, the Public Works Department, has responsibility for general street and road as well as general infrastructure maintenance. In addition, members of that staff are assigned to or have shared time responsibility with the municipal utilities (Water and Sewage Works) as well. The public work force is presently numbered up to 35. At anytime, there may be one-third deployed in service to the Water Works or the Sewage Works/Sanitary District. This department is under the direct supervision of the Town Council which pursuant to IC 36-1-1-24(3) is also the Works Board for the municipality.

Municipal Plan Commission and the Advisory Board of Zoning Appeals

The Municipal Plan Commission for the Town of Highland had its antecedents in an original plan commission established by the Town Board of Trustees by an ordinance passed on July 21, 1925. The original ordinance is referred to in a later Ordinance No. 372 passed June 16, 1953, which enacted a new Master Zoning Ordinance and established a plan commission pursuant to provisions in the Acts of the Indiana General Assembly of 1947. Ordinance No. 466, passed November 19, 1962, amended the local Zoning Ordinance and provided for the creation of a Board of Zoning Appeals pursuant to state law, as well.

The present day Master Zoning Ordinance, as amended from time to time, is the Comprehensive Master Zoning Ordinance No. 707 of the Town of Highland, passed by the Town Board of Trustees in 1975 to be effective in 1976. The provisions for planning and development are generally set forth in the Highland Municipal Code, Chapter 15.

The current Municipal Plan Commission for the Town of Highland is organized pursuant to provisions set forth in the Indiana Code Title 36-7-4-202. Since Highland's form of government is a town, the provisions under the state planning law pertaining to (Advisory) plan commissions governs. So, as a Town Municipal (Advisory) plan commission, Highland's Municipal Plan Commission is organized as a seven member panel with four citizen members appointed by the municipal executive for a term of four years (IC 36-7-4-202(b)(2)). No more than two of the citizen members may be of the same political party. The terms pursuant to statute are from the first Monday in January to the first Monday in January four years following. Three members of the commission are legislative appointments who shall be either elected or appointed officials of the municipality or municipal employees.

The Plan Commission has a number of duties and powers set forth in the statute. Some of these are as follows:

- (1) Supervise and make rules for the administration of the affairs of the commission (in the case of an advisory plan commission).
- (2) Prescribe uniform rules pertaining to investigations and hearings;
- (3) Keep a complete record of all the departmental proceedings;
- (4) Record and file all bonds and contracts and assume responsibility for the custody and preservation for all papers and documents of the commission (in the case of an advisory commission);

- (5) Prepare, publish, and distribute reports, ordinances and other material relating to the activities authorized under this chapter (Title 36 Article 4, Chapter 4.);
- (6) Adopt a seal;
- (7) Certify to all official acts.

The Plan Commission has a “hearing and rulemaking” methodology. Planning matters must be acted upon at the Plan Commission level with subsequent action by the legislative body (Town Council) within a time certain. These procedures are generally outlined in IC 36-7-4-600 and in Rules and Procedures of the Highland Plan Commission.

The Advisory Board of Zoning Appeals is a quasi-judicial body that grants variances from the Zoning Laws upon a petitioner’s establishment of “hardship” or some other necessary condition. This board does **not** amend the Zoning Ordinance. Rather, within the confines of and as set forth in the zoning ordinance, it grants permission to vary from particular rules of a given use. The establishment and general provisions of the Advisory Board of Zoning Appeals are set forth in IC 36-7-4-900 et seq.

In most counties, the decisions to grant variances by boards of zoning appeals are the final subject to the usual appeals to a court. However, owing to “special legislation,” such boards in Lake County are reviewed. So, use variances, special exceptions, and special uses must be presented to the legislative body for its consideration (See IC 36-7-4-918.6). The legislative body may act to confirm, deny or take no action at all. There are a number of variances that are set forth in the zoning ordinance. These may be found in the Appendix B of the Highland Municipal Code.

The Advisory Board of Zoning Appeals is organized pursuant to law as a five (5) member panel. The composition and authority for appointment are as follows:

The Municipal Executive appoints 3 citizen members - 1 must be a plan commission member; 2 must not be members;

I.C. 36-7-4-902(a)(1)

The Municipal Fiscal Body appoints 1 citizen member who must not be a plan commission member;

I.C. 36-7-4-902(a)(2)

The Plan Commission appoints 1 member who must be a plan commission member other than the one appointed by the municipal executive;

I.C. 36-7-4-902(a)(3).

Highland Board of Metropolitan Police Commissioners • Metropolitan Department of Police

The current Department of Police had its antecedent in the office of Town Marshal, which is the first form of public safety service delivery for all incorporating Towns in Indiana. Highland elected its Town Marshal from 1910 until 1915. Beginning in 1916 (and for all Indiana Towns that still use the Marshal system), the Town Marshal became a legislatively appointed post. Indiana Statutes governing city forms of government require the use of police departments. Towns, while not required to do so, may form by local ordinance pursuant to Indiana Law (IC 36-8-9 et seq.) a Town Board of Metropolitan Police Commissioners, which abolishes the Marshal system, replacing it with a metropolitan police department, requiring participation in a special law enforcement pension system and providing for the direct governance of the Police Department by a Town Board of Metropolitan Police Commissioners.

Following a required referendum of the community submitted to the voters on November 8, 1955 with a vote of 958 voting yes and 573 voting no, the Town Board abolished the office of Town Marshal. On December 6, 1955, Ordinance No. 400 was passed establishing the Town Board of Metropolitan Police Commissioners as a three (3) member panel to be appointed by the Board of Trustees. In 1983, the legislative body passed Ordinance No. 893, providing for the appointment of two additional Police Commissioners, bringing the number to five (5) members. Each member serves for a term of three (3) years and at the pleasure of the appointing authority. Commissioners receive an annual salary paid monthly.

The Metropolitan Board of Police Commissioners is charged with the management and administration of the Department of Police. It is the appointment authority for the department, appointing its civilian and sworn members subject to approval of qualifications by the Town Council. It also names the Chief, subject to the approval of qualifications as determined by the Town Board of Metropolitan Police Commissioners and approved by the Town Council. Once hired, decisions to promote and demote are the province of the Town Board of Metropolitan Police Commissioners, as by law, it is the Safety Board for the purposes of discipline. Further, the Town Board of Metropolitan Police Commissioners is charged with forming and promulgating general rules and regulations for the government and discipline of the police department and may make special and general orders to the Department through the Police Chief, who is defined at law as the executive head of the department (IC 36-8-9-4(d).) Appropriation and budgetary authority remains with the Town Council as the unit's fiscal body.

Redevelopment Commission and Department of Redevelopment

The statutory authority (enabling authority), providing for the establishment of Municipal Redevelopment Commissions, is generally set out in Indiana Code Title 36, Article 7, Chapter 14. In that chapter, general economic development and planning powers are spelled out for local units that adopt the statute through local ordinance. The Town of Highland, through its Town Council, passed Ordinance No. 946, establishing a Department of Redevelopment and providing for a Redevelopment Commission on January 22, 1990. The Redevelopment Commission is composed of five (5) members, three (3) of whom are appointed by the municipal executive and two (2) of whom are appointed by the municipal legislative body for a term of one (1) year. All of the territory within the corporate boundaries of the Town is also a special taxing district for the purpose of levying special benefit taxes for redevelopment purposes.

The Redevelopment Commission may levy a special benefit tax for two purposes. One is to carry out the operational purposes of the Commission (Confer specifically, IC 36-7-14-28). This special tax would provide funds, in part, to carry out the duties and objectives set forth generally in IC 36-7-14-11 and 36-7-14-12.2. It also would be levied to carryout specific duties set forth in IC 36-7-14-28 which are particularly:

- (1) the payment in whole or in part of planning and survey costs;
- (2) the costs of property acquisition and redevelopment;
- (3) the payment of all general expenses of the department of redevelopment.

In addition, the Redevelopment Commission may levy a tax in support of the payment on debt service (principal and interest) for any bonds sold pursuant to its authority under section 27 of the chapter. This tax may also be levied to partially support repayment of debt service issued as part of an allocation (TIF) district. Also, the Redevelopment Commission may establish allocation areas in support of the sale of Tax Increment Finance (TIF) Bonds in furtherance of its authority to dispose of blight or to carry out its authority for economic development.

~~Park Advisory Council of Community Events~~

The Park Advisory Council of Community Events is a body that was created by resolution of the Highland Park and Recreation Board, pursuant to its authority under IC 36-10-3-17. Its purpose is to advise and assist with the planning and execution of several special events such as the annual Independence Day celebration and parade. The current Council had its genesis in several antecedent bodies which were originally formed to celebrate or commemorate certain significant events in the life of the community or the nation. The first of these bodies was the Bicentennial Commission. The Bicentennial Commission was established during the the Nation's Bicentennial, when the Town legislative body as part of the nationally encouraged festivities, established a group of appointed citizens to assist with the celebration of the Nation's Bicentennial Year of Independence culminating with a special festival to coincide with July 4, 1976.

The group enjoyed such success, that the Town legislative body decided to reformulate the

group to permit its continuation as a body of citizen volunteers organized to assist with the annual celebration of Independence Day. The new group was called the Commemorative Council. This group was charged with the annual commemoration of Independence Day and to work toward the celebration of such other events as may be identified from time to time. In the year of 1985, the Town of Highland marked the Seventy-Fifth anniversary of its incorporation as a Town. The Commemorative Council joined by others became the Diamond Jubilee Committee, charged with marking the nation's Independence Day as well as the local unit's birthday with special events all year long.

In 1987, the group was reformulated as the Council of Community Events which it remained until the action by the Park and Recreation Board converting it to a citizens advisory council. The enactment's preamble specifically read: "it is the desire of the Board of Trustees to have said Council promote and coordinate the actions of all organizations, groups and individuals in the annual Town celebration of the 4th of July ; and to sponsor a minimum of 2 events at the Highway of Flags (Monument)."

The Council of Community Events consists of at least 15 voting members, not to exceed a maximum of 25 voting members, and a fixed number of non-voting members who shall be appointed by a majority of the Park and Recreation Board.

The term for each voting member is one year.

The objectives of the Council are to promote and coordinate the annual 4th of July and plan at least two (2) activities at the Highway of Flags. In addition, the Council of Community Events is designated as that agency to accept, coordinate, review and submit, for approval by the Board of Trustees, applications made by any and all organizations, groups and individuals for the use of facilities located at the Highway of Flags Memorial. In order to assure that the Highway of Flags Memorial is available and used in an orderly fashion, it is hereby the stated policy that applications for the use of said facility by any organizations, groups and individuals must be made on or before the first day of April of each calendar year to the Council of Community Events for its review and recommendation to the Board of Trustees; that in the alternative, and for good cause, said application may be made, at a minimum, no later than ninety (90) days prior to the proposed scheduled event.



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF HIGHLAND, LAKE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Highland (Town), as of and for the year ended December 31, 2006, which collectively comprise the Town's basic financial statements. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements as listed in the Table of Contents. We did not audit the financial statements of the Parks and Recreation Building Corporation, a blended component unit, which statements reflect total assets constituting three percent and revenues constituting less than one percent of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us and, our opinion, insofar as it relates to the amounts included for the Parks and Recreation Building Corporation, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States.

The Management's Discussion and Analysis, Schedules of Funding Progress, Schedules of Contributions from the Employer and Other Contributing Entities and Budgetary Comparison Schedules, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 15, 2007

Management's Discussion and Analysis

As management of the TOWN of HIGHLAND, the proper officers of the Town offer readers of the TOWN of HIGHLAND'S financial statements this narrative overview and analysis of the financial activities of the TOWN of HIGHLAND for the fiscal year ended **December 31, 2006**. The proper officers of the Town encourage readers to consider the information presented here in conjunction with additional information that the proper officers have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets of the TOWN of HIGHLAND exceeded its liabilities at the close of the most recent fiscal year by **\$37,523,201** (*net assets*). Of this amount, **(-\$3,435,173)** (*unrestricted net assets*) may be used to meet the government's on-going obligations to citizens and creditors. (*This debit balance in unrestricted net assets is attributable to an unusual net pension obligation that is from a 1925 law, which provides for a non-actuarial plan. While accounting standards hold that this obligation is one for the entire Town, it should be noted that there is a dedicated Trust Fund, the Police Pension Fund, which is where the actual obligation is maintained. Adjusted for the Net Pension Obligation, Highland's unrestricted net assets would be \$1,969,424.*)
- The government's total net assets increased by **\$6,097,450** in FY 2006. This increase represents an increase of \$5,741,550 in total net assets related to governmental activities and an increase of \$355,900 in total net assets in business type activities. This increase is attributable to an increase of \$4,376,059 in governmental capital assets represented by bond proceeds of the Park and Redevelopment Districts, a one time state grant in consequence of the Lease of the Indiana Toll road dedicated for capital purposes, positive net income in business activities of the municipality in the amount of the net increase in total net assets (\$355,900) and significant unrestricted investment earnings (\$445,540).
- As of the close of the current fiscal year, the TOWN OF HIGHLAND'S governmental funds reported combined ending fund balances of **\$7,379,062**, a significant increase amounting to **\$3,440,107** over the prior year. This increase is attributable to an overall increase in revenues and relatively stable spending over the prior year. The increase in revenues is explained largely in the previous bulleted paragraph. However, of the combined ending fund balances, the amount of **\$6,616,240** is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was **\$647,891**, or 9% of total general fund expenditures.
- The TOWN OF HIGHLAND'S total long-term debt increased by a net of **\$1,996,905** (28 %) during the current fiscal year. The key factor in this increase was the issuance of new debt during fiscal year 2006.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the TOWN OF HIGHLAND'S basic financial statements. The TOWN OF HIGHLAND'S basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the TOWN OF HIGHLAND'S finances, in a manner similar to a private-sector business.

The statement of net assets presents information of all of the assets and liabilities, with the difference between the two reported *as net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the TOWN of HIGHLAND is improving or deteriorating.

The *statement of activities* presents information showing how the government's *net assets* changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement

for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the TOWN of HIGHLAND that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the TOWN of HIGHLAND include general government, public safety, highways and streets, sanitation, economic development and culture and recreation. The business-type activities of the TOWN of HIGHLAND include a Waterworks Utility and Sanitary District.

The government-wide financial statements include not only the TOWN of HIGHLAND itself (known as the *primary government*), but also a legally separate Parks and Recreation Building (Holding) Corporation for which the TOWN of HIGHLAND is financially accountable. Financial information for this blended component unit is reported *with* the financial information presented for the primary government itself. The Waterworks department and the Sanitary District (sewer), although also technically separate, function for all practical purposes as departments of the TOWN of HIGHLAND, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on **pages 16-18** of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The TOWN of HIGHLAND, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the TOWN of HIGHLAND can be divided into three categories: *governmental funds, proprietary funds, and fiduciary funds.*

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *government funds* and *governmental activities*.

The TOWN of HIGHLAND maintains *thirty-three (33) individual governmental funds*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the **General Fund, Parks and Recreation Fund, Parks and Recreation Non-Reverting Capital Fund** and the **Redevelopment Capital Fund** all of which are considered to be major funds. Data from the other twenty-nine (29) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The TOWN of HIGHLAND adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found of **pages 19-22** of this report.

Proprietary funds. The TOWN of HIGHLAND maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The TOWN of HIGHLAND uses enterprise funds to account for its Waterworks and Sanitary District. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the TOWN of HIGHLAND'S various functions. The TOWN of HIGHLAND uses internal service funds to account for its

vestiges of health insurance self-funding and for its parks and recreation building (holding) corporation financing. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Waterworks Utility and the Sanitary District (sewer utility), both of which are considered to be major funds of the TOWN of HIGHLAND. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on **pages 23-27** of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the TOWN of HIGHLAND'S own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on **pages 28-29** of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on **pages 31-58** of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the TOWN of HIGHLAND'S progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on **pages 59-65** of this report.

The combining statements, referred to earlier in connection with non-major governmental funds and internal service funds, are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on **pages 67-69** on this report

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the TOWN of HIGHLAND, assets exceeded liabilities by **\$37,523,201** (total net assets) at the close of the most recent fiscal year, *ending 31 December 2006*.

By far the largest portion of the TOWN of HIGHLAND'S net assets (89%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The TOWN of HIGHLAND uses these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending. Although the TOWN of HIGHLAND'S investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN of HIGHLAND'S Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other assets	\$ 11,105,998	\$ 11,665,041	\$ 3,929,650	\$ 4,731,677	\$ 15,035,648	\$ 16,396,718
Capital Assets	20,525,000	16,148,941	18,706,761	17,911,188	39,231,761	34,060,129
Total Assets	\$ 31,630,998	\$ 27,813,982	\$ 22,636,411	\$ 22,642,865	\$ 54,267,409	\$ 50,456,847
Long-term liabilities outstanding	12,383,533	9,464,159	1,020,401	1,408,276	13,403,934	10,872,435
Other liabilities	2,293,254	7,137,162	1,047,020	1,021,499	3,340,274	8,158,661
Total Liabilities	\$ 14,676,787	\$ 16,601,321	\$ 2,067,421	\$ 2,429,775	\$ 16,744,208	\$ 19,031,096
Net assets:						
Invested in capital assets						
net of related debt	16,022,139	10,987,839	17,309,888	16,001,188	33,332,027	26,989,027
Restricted	4,708,632	3,586,422	2,917,715	3,614,059	7,626,347	7,200,481
Unrestricted	(3,776,560)	(3,361,600)	5 341,387	597,843	(3,435,173)	(2,763,757)
Total net assets	\$ 16,954,211	\$ 11,212,661	\$ 20,568,990	\$ 20,213,090	\$ 37,523,201	\$ 31,425,751

An additional portion of the TOWN of HIGHLAND'S net assets (20%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (-\$3,435,173) ordinarily represents what may be used to meet the government's ongoing obligations to citizens and creditors. The **debit** balance in unrestricted assets is in part attributable to an unusual net pension obligation that is from a 1925 pension law, which provided for a non-actuarial plan. While accounting standards hold that this obligation is one for the entire Town, it should be noted that there is a dedicated trust fund, the Police Pension Fund, which is where the actual obligation is maintained. Adjusted for the *net pension obligation*, Highland's unrestricted net assets would be \$1,969,424. (*Readers are encouraged to read Note F 1(b) in notes to the Financial Reports found on page 53 of this CAFR.*)

At the end of the current fiscal year, the TOWN of HIGHLAND is reporting positive balances for governmental and business-type activities and the town as a whole in two categories of net assets. The business-type activities has a positive balance reported for unrestricted net assets whereas governmental activities and the town as a whole are reporting negative unrestricted net assets. This is unchanged from the prior year, the reasons for which were addressed in the previous paragraph. (*Readers are encouraged to read Note F 1(b) in notes to the Financial Reports found on page 53 of this CAFR.*)

There was a decrease of **\$696,344** in restricted net assets reported in connection with the TOWN of HIGHLAND's business-type activities. Fifty-six percent (56%) of the reduction is attributable to payment of debt service in the amount of **\$390,516**. Forty-four percent (44%) of the reduction is attributable to expenditures related to capital projects from funds restricted for that purpose.

The government's net assets increased by **\$5,741,550** during the current fiscal year. This increase is attributable to an increase of \$4,376,059 in governmental capital assets represented by bond proceeds of the Park and Redevelopment Districts, a one time state grant in consequence of the Lease of the Indiana Toll road dedicated for capital purposes, and significant unrestricted investment earnings (\$323,136 *for governmental activity*).

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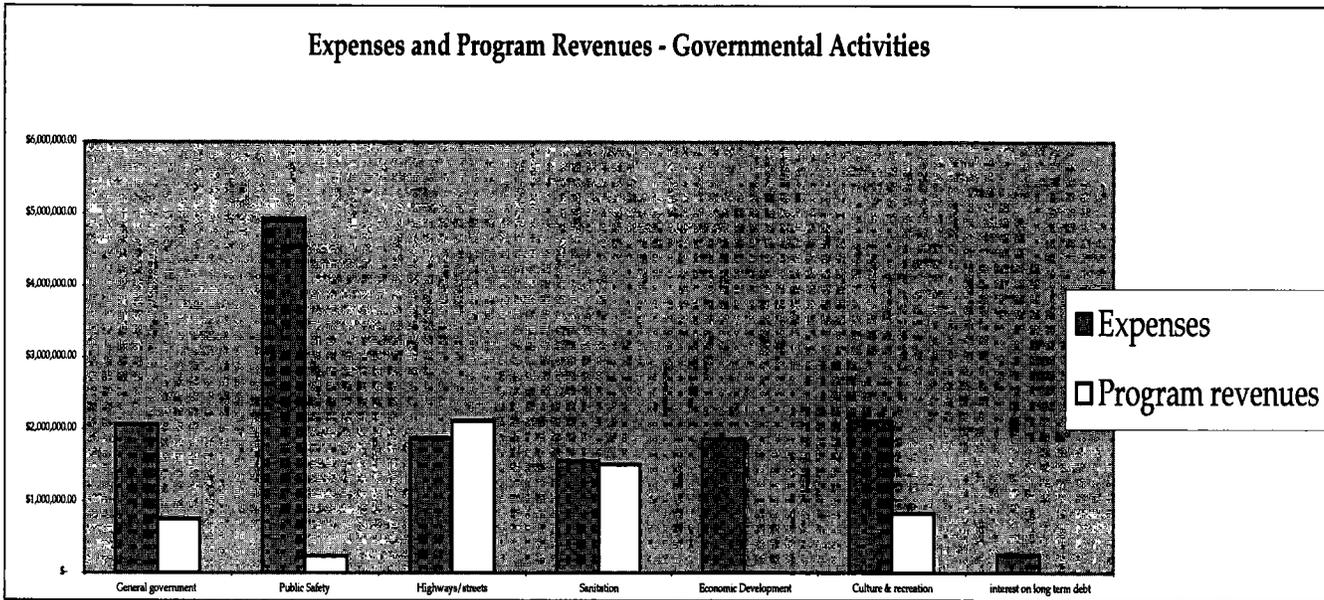
Governmental activities. Governmental activities increased the TOWN of HIGHLAND'S net assets by \$883,480, thereby accounting for 71% of the total growth in the net assets of the Town of Highland. Key elements of this increase are as follows:

TOWN of HIGHLAND's CHANGES in NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 2,945,926	\$ 2,715,413	\$ 5,493,380	\$ 5,718,665	8,439,306	\$ 8,434,078
Operating grants and contributions	1,194,935	1,237,294	-	-	1,194,935	1,237,294
Capital grants and contributions	1,325,520	800,627	-	52,090	1,325,520	852,717
General revenues:						
Property taxes	\$ 7,207,152	\$ 7,078,601	\$ 576,090	\$ 505,995	7,783,242	\$ 7,584,596
Other taxes	689,069	728,972	-	-	689,069	728,972
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	2,220,978	314,247	122,404	100,446	2,343,382	414,693
Total Revenues	\$ 15,583,580	\$ 12,875,154	\$ 6,191,874	\$ 6,377,196	21,775,454	\$ 19,252,350
Expenses:						
General government	\$ 2,063,441	\$ 1,442,017			2,063,441	1,442,017
Public safety	4,934,503	6,325,184			4,934,503	6,325,184
Highways/streets	1,882,447	2,345,077			1,882,447	2,345,077
Sanitation	1,570,682	1,433,711			1,570,682	1,433,711
Economic development	1,871,473	239,839			1,871,473	239,839
Culture and recreation	2,112,857	2,023,220			2,112,857	2,023,220
Interest on long-term debt	264,697	207,489			264,697	207,489
Water			2,165,586	2,292,223	2,165,586	2,292,223
Sanitary District (sewer)			3,670,388	2,676,647	3,670,388	2,676,647
Total expenses	\$ 14,700,100	\$ 14,016,537	\$ 5,835,974	\$ 4,968,870	20,536,074	\$ 18,985,407
Increase (decrease) in net assets	883,480	(1,141,383)	355,900	1,408,326	1,239,380	266,943
Net Assets Beginning	\$ 11,212,661	\$ 12,220,994	\$ 20,213,090	\$ 19,071,124	31,425,751	\$ 31,292,118
Prior Period Adjustment	\$ 4,858,070	\$ 133,050	\$ -	\$ (266,360)	4,858,070	\$ (133,310)
Restated Net Assets Beginning	\$ 16,070,731	\$ 12,354,044	\$ 20,213,090	\$ 18,804,764	36,283,821	\$ 31,158,808
Net Assets Ending	\$ 16,954,211	\$ 11,212,661	\$ 20,568,990	\$ 20,213,090	\$ 37,523,201	\$ 31,425,751

- As a percentage of total revenues to the *Primary Government* in FY 2006, *charges for services* represented approximately 39% of the total revenue stream. *Property and other taxes* represented 39% of the total revenue stream.
- As a percentage of total revenues to the *Governmental activities* in FY 2006, *charges for services* represented approximately 19% of the total revenue stream. *Property and other taxes* represented 50% of the total revenue stream.
- Capital grants and contributions increased in 2006 from its 2005 levels by a net of \$472,803. The largest portion of the grant awards furnished resources to *Highways and Streets*. In fact, operating grants increased by \$524,893 in *Governmental Activities* and decreased by \$52,090 in *Business-Type activities*.
- Operating grants and contributions decreased slightly in 2006 from its 2005 levels by \$42,359. In fact, this change is entirely attributable to *Governmental Activities*. No operating grants and contributions were reported in *Business-Type activities* for 2006 nor 2005.

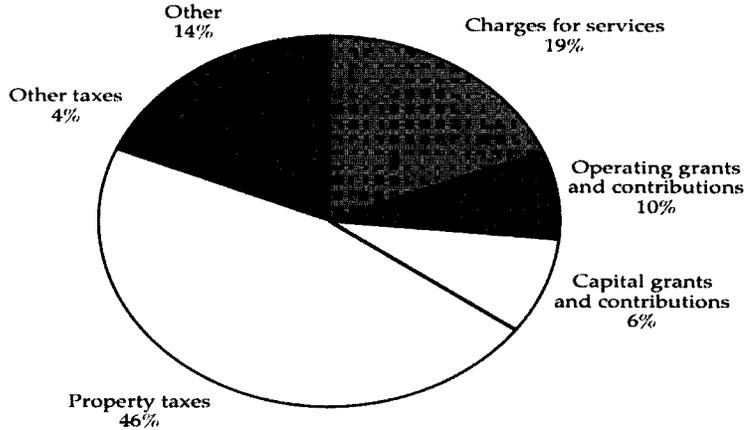
- Economic Development expenses increased by \$1,631,634 representing an increase of 680% in 2006 from its 2005 levels. The increase was primarily attributable to a special *cooperative project* with a neighboring municipality involving the razing and redevelopment of property, which had blighted apartment buildings. (See note to the financial reports IV (B), pages 40-41 of this report).
- General Government expenses increased by 43% in 2006 from its 2005 levels by \$621,424. The increase was attributable to increased costs of property, casualty and workers compensation insurance, data processing equipment and the hiring of the municipality's first Town Manager.



**Expenses and Program Revenues Government Activities
2006**

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue</u>
General government	\$ 2,063,441.00	\$ 755,912.00	\$ (1,307,529.00)
Public Safety	\$ 4,934,503.00	\$ 235,045.00	\$ (4,699,458.00)
Highways/streets	\$ 1,882,447.00	\$ 2,120,625.00	\$ 238,178.00
Sanitation	\$ 1,570,682.00	\$ 1,512,323.00	\$ (58,359.00)
Economic Development	\$ 1,871,473.00	\$ 7,000.00	\$ (1,864,473.00)
Culture & recreation	\$ 2,112,857.00	\$ 835,476.00	\$ (1,277,381.00)
interest on long term debt	\$ 264,697.00	\$ -	\$ (264,697.00)

Revenues by Source Governmental Activities 2006

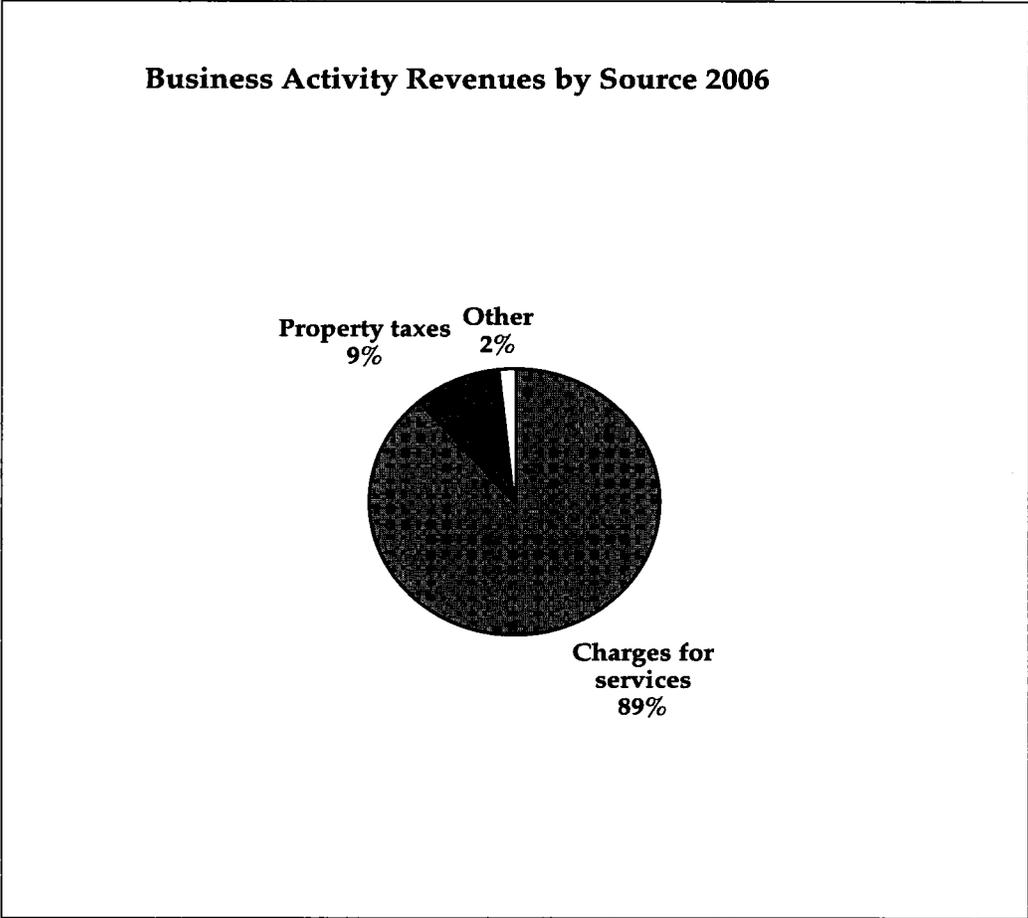
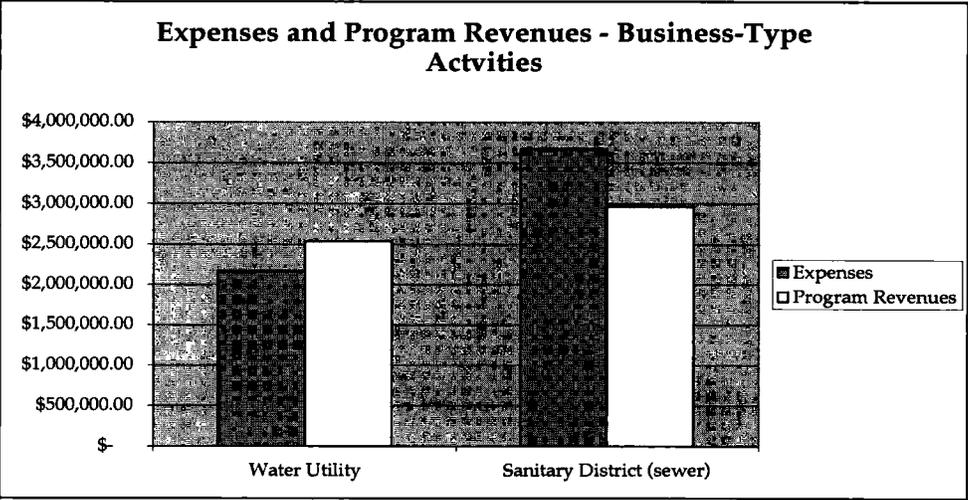


Business-type activities. Business-type activities increased the TOWN of HIGHLAND'S net assets by \$355,900. The Key elements of this increase are as follows:

- As a percentage of total revenues to the *Business-Type activities* in FY 2006, *charges for services* represented approximately 89% of the total revenue stream. *Property taxes* represented 9% of the total revenue stream.
- The Sanitary District in 2006 experienced a 1.6% decrease in revenues in Charges for Services whereas the Water District experienced a decrease of slightly more than 8.3%. These decreases can be attributable to lower potable water consumption than in FY 2005.
- The Sanitary District experienced an increase in total expenses amounting to 37.1% for FY 2006. This is attributable to increases in costs of \$288,515 in collection system operating and maintenance costs, \$287,588 in pumping operating and maintenance expenses and \$334,159 in treatment and disposal operating and maintenance expenses.
- The Waterworks Utility experienced a *decrease* in total expenses amounting to 5.5% for FY 2006. This is attributable to lower costs of operations related to lower consumption.

**Expenses and Program Revenues Business Type Activities
2006**

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue</u>
Water Utility	\$ 2,165,586.00	\$ 2,531,464.00	\$ 365,878.00
Sanitary District (sewer)	\$ 3,670,388.00	\$ 2,961,916.00	\$ (708,472.00)



Financial Analysis of the Government's Funds

As noted earlier, the TOWN of HIGHLAND uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the TOWN of HIGHLAND'S *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the TOWN of HIGHLAND'S financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year ended 31 December 2006, the TOWN of HIGHLAND'S governmental funds reported combined ending fund balances of **\$7,379,062**, an increase of **\$3,440,107** in comparison with the prior year. Of the combined ending fund balance amount, **\$6,616,240** or (89.7%) is *available for spending* at the government's discretion (*unreserved fund balance*). The remainder of fund balance in the amount of **\$762,822** is *reserved or designated* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period 2) to cover wages and salaries earned in the current fiscal year but payable in the subsequent one or 3) for a variety of other restricted purposes.

The **General Fund** is the chief operating fund of the TOWN of HIGHLAND. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was **\$647,891**, while total fund balance reached **\$956,648**. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents nine percent (9%) of total general fund expenditures, while total fund balance represents thirteen percent (13%) of that same amount. Cash flows for this fund in FY 2006 were supported through significant short-term borrowing.

The fund balance of the TOWN of HIGHLAND'S General Fund *increased* by **\$623,789** during the current fiscal year. Key factors in this increase are as follows:

- The pay 2005 property tax bills were again delayed and a portion of those collections were settled in 2006.
- The Town authorized an increase of 19% in the Solid Waste Management Fees effective in June of 2006.
- Undesignated income from investments experienced yields in excess of budgeted forecasts, earning in most cases at 5.25%, which exceeds the 90 day T-Bill rate significantly for the year.

The **Parks and Recreation Fund** had a total fund balance of **\$17,349**. The Parks and Recreation Fund had an unreserved, undesignated fund balance of **(-\$11,014)**. As a measure of the Parks and Recreation Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents negative one percent (-1%) percent of total Parks and Recreation Fund expenditures, while total fund balance represents less than one percent or 0.95% of that same amount.

The fund balance of the TOWN of HIGHLAND'S Parks and Recreation Fund *increased* by **\$11,074** during the current fiscal year. Key factors in this increase is attributable to the 2005 property tax bills being again delayed and a portion of those collections was settled in 2006. Cash flows for this fund in FY 2006 were supported through significant short-term borrowing.

The **Park Non-Reverting Capital Fund** had a total fund balance of **\$1,648,435**. The Park Non-Reverting Capital Fund had an unreserved fund balance of **\$1,636,567**. As a measure of the Park Non-Reverting Capital Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 337% of total Park Non-Reverting Capital Fund expenditures, while total fund balance represents 339% of that same amount.

The fund balance of the TOWN of HIGHLAND'S Park Non-Reverting Capital Fund *increased* by **\$1,438,544** during the current fiscal year. A key factor in this increase is attributable to receipt of proceeds of Park District Bonds in the amount of **\$1,850,000**.

The *Redevelopment Capital Fund* had a total fund balance of **\$482,030**. The Redevelopment Capital Fund had an unreserved fund balance of **\$476,775**. As a measure of the Redevelopment Capital Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents twenty-seven percent (27%) of total Redevelopment Capital Fund expenditures, while total fund balance represents twenty-eight percent (28%) of that same amount.

The fund balance of the TOWN of HIGHLAND'S Redevelopment Capital Fund *increased* by **\$89,672** during the current fiscal year. Key factors in this increase is attributable to significant interest earnings and other revenue of **\$35,461** and receipt of property taxes of **\$59,412**. The greater interest earnings were possible because of the receipt of proceeds of Redevelopment District Bonds in the amount of **\$1,741,250**. (**Sold at less than par, the issue was for \$1,750,000 but was discounted by \$8,750 when debt was sold**). The bonds were sold to provide resources for an interlocal cooperative redevelopment project with a neighboring city to raze, reclaim and redevelop a blighted site of apartments for future development on the shared contiguous border of the TOWN of HIGHLAND and the neighboring city. All expenditures related to this completed in 2006.

Proprietary funds. The TOWN of HIGHLAND'S proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Waterworks and Sanitary District utilities at the end of the year amounted to **\$341,387**. The total growth in net assets for both funds was **\$727,659** and (**-\$371,759**), respectively, for a total of **\$355,900**. Other factors concerning the finances of these two funds have already been addressed in the discussion of the TOWN of HIGHLAND'S business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget equaled a net increase of **\$146,771** in appropriations. Following are the main components of the increase:

- **\$42,260** increase in general government allowed for added increases associated with appointment of first Town Manager, increased costs to workers compensation, property/casualty and fleet insurance.
- **\$200,085** net increase in sanitation to allow for increased costs associated with increased rates charged by private solid waste collector for the Town. Increase in private rates was effective in April 2006 and user charge increase was effective in June 2006.
- A general increase in wages and salary for full-time employees was granted in FY 2006 comprised of a 1% over all increase plus a flat amount of **\$1,200**.

The increase was possible in part because additional anticipated revenues. Those revenues included a 19% rate increase in Solid Waste Management User charges, and a delayed settlement in 2006 for FY 2005 property taxes.

Differences between **the final budget** and **the actual** were relatively significant and can be briefly summarized as follows:

- General Fund experienced a **\$1,274,467** increase from the Final Revenue Budget, fixed at **\$6,919,869**. Actual revenues were **\$8,194,336**. This positive variance with is the final budget, is in part attributable to the fact that a portion of the 2005 property tax bills was settled in 2006. This created property tax collections in excess of both the original and final budgeted estimate of **\$716,975** for the fund. Other increases were attributable in significant increases in investment yield, increases in user charges for Solid Waste Management services, increased code and law enforcement activity leading to actual fines and forfeits being **\$36,188** over the final budget. Also, additional building remodeling activity than predicted, bringing actual licenses and permits revenue **\$171,040** over the final budget.
- General Fund had **final budgeted appropriations of \$7,659,514**. However, **actual expenditures** totaled only **\$7,484,803**, coming **under the final budget by \$174,711**. The majority of this amount is due to the timing of payments, which will be made in 2007 as a result of the use of modified accrual accounting.

Capital assets and Debt Administration

Capital assets. The TOWN of HIGHLAND'S investments in capital assets for its governmental and business type activities as of December 31, 2007, amounts to **\$39,231,761** (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, road and highways. The total investment in capital assets in the TOWN of HIGHLAND'S for the current fiscal year was an increase of \$5,171,632 or 15.18%. The specific components of the increase are a \$4,376,059 (27.1%) increase for governmental activities and a \$795,573 (4.44%) increase for business-type activities.

TOWN of HIGHLAND'S CAPITAL ASSETS (net of depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 2,528,508	\$ 2,528,508	\$ 55,477	\$ 55,477	\$ 2,583,985	\$ 2,583,985
Buildings and System	\$ 2,128,991	\$ 2,297,873	\$ 455,033	\$ 479,577	\$ 2,584,024	\$ 2,777,450
Improvements other than buildings	\$ 923,387	\$ 1,021,257	\$ 2,768,562	\$ 2,871,783	\$ 3,691,949	\$ 3,893,040
Machinery and equipment	\$ 1,054,265	\$ 1,116,349	\$ 381,028	\$ 372,716	\$ 1,435,293	\$ 1,489,065
Infrastructure	\$ 13,100,835	\$ 8,290,160	\$ 14,929,411	\$ 13,553,255	\$ 28,030,246	\$ 21,843,415
Construction in progress	\$ 789,014	\$ 894,794	\$ 117,250	\$ 578,380	\$ 906,264	\$ 1,473,174
Total:	\$ 20,525,000	\$ 16,148,941	\$ 18,706,761	\$ 17,911,188	\$ 39,231,761	\$ 34,060,129

Addition information on the TOWN of HIGHLAND'S capital assets can be found in note IV. C on **pages 42 to 43** of this report. (This may change in final report.)

Major **capital asset events** during the fiscal year ending 31 December 2006 included the following:

Streets and Sanitation

- A reconstruction project for **Cottage Grove Avenue** was 96% completed with authorized expenditures of \$96,679. The project involved reconstruction of a small block of highway, curbs, and installation or replacement of sidewalks. At year-end, \$92,679 had been expended on this project. Some sewer and water line improvements are also part of the project. (*See Water and Wastewater Utilities, which follow*)
- A reconstruction project for **Branton Avenue** was 1% completed with authorized expenditures of \$988,857. The project involves reconstruction of a several blocks of highway, curbs, and installation or replacement of sidewalks. At year-end, \$6,756 had been expended on this project. Some sewer and water line improvements are also part of the project. No expenditures for those portions of the project have yet been expended.
- A reconstruction project for **Cline Avenue** from a northern terminus of Ridge Road and as southern terminus of 45th Avenue in its preconstruction and design phase was 40% completed with authorized expenditures of \$257,400. The project involves reconstruction and modernization of highway, curbs, and installation or replacement of sidewalks. At year-end, \$103,000 had been expended on this project. Some sewer and water line improvements are also part of the project. No expenditures for those portions of the project have yet been expended.

Department of Waterworks and Municipal Water Utility

- The water infrastructure portion of the reconstruction project for **Cottage Grove Avenue** was 90% completed with authorized expenditures of \$66,067. At year-end, \$59,461 had been expended on this project.

Sanitary Districts and Municipal Wastewater/Stormwater Utility

- The wastewater infrastructure portion of the reconstruction project for **Cottage Grove Avenue** was 90% completed with authorized expenditures of \$26,530. At year-end, \$23,877 had been expended on this project.
- The **Hart Road Sanitary Sewer Extension Project** was 7% completed with authorized expenditures of \$94,575. This project involves the installation of wastewater sewer lines on a along a roadway where septic tanks had previously served. Costs will be initially born by the utility. Benefiting property holders will be assessed for the

costs of the project and will be permitted to repay for the improvement over a 15-year period. At year-end, \$6,261 had been expended on this project.

- The **Georgetown Phase II Project** was 11% completed with authorized expenditures of \$95,000. This project involves the extension of sewer lines in an area that has prospects for economic development. At year-end, \$10,837 had been expended on this project.
- The **Eder Street/Maple Avenue Sewer Separation Project** was 3% completed with authorized expenditures of \$665,345. This project involves the installation of storm sewer lines to permit residents to disconnect unlawful sump pump connections from wastewater sewers and to permit connection to storm sewers development. At year-end, \$16,814 had been expended on this project. It is anticipated that the balance of this project will be supported in part from a bond issue of the Sanitary District.

Parks and Recreation

- The **Main Square Park Improvement and Gazebo Reconstruction Project** was 43% completed with authorized expenditures of \$923,262. This project involves the retrofit and reconstruction of the centerpiece of the park -- its Gazebo -- an improvement originally constructed 1981. Included are upgrades to water and electrical service, installation of new and more extensive lighting, sound system and construction of additional restrooms and food service building. A bond issued in 2006 of the Park District supports the cost of the project. At year-end, \$396,278 had been expended on this project.
- The **Lincoln Community Center Retrofit and Reconstruction Project** (Preliminary design) was 100% completed with authorized expenditures of \$2,600. This project involves the retrofit and reconstruction of the Community Center, transferred to and operated by the Parks and Recreation Department since 1983, additions or sections of the former elementary school first constructed in 1947, 1950 and 1965 require retrofit and reconstruction. Upgrades proposed are to electrical service, installation of new and more extensive lighting, upgrade of entrances, and other miscellaneous improvements.

Long-term debt. At the end of the current fiscal year, the TOWN of HIGHLAND had total bonded debt outstanding of **\$9,148,368**. Of this amount, **\$7,561,367** comprises debt backed by the full faith and credit of the government. The remainder of the TOWN of HIGHLAND's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

	TOWN of HIGHLAND'S Outstanding Debt					
	General Obligation and Revenue Bonds					
	Governmental Activities		Business-Type Activities		Total	
	31-Dec-06	31-Dec-05	31-Dec-06	31-Dec-05	2006	2005
General Obligation Bonds	\$ 6,164,494.00	\$ 3,491,903.00	\$ 1,396,873.00	\$ 1,716,828.00	\$ 7,561,367.00	\$ 5,208,731.00
Special assessment debt with governmental commitment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Bonds	\$ 1,587,001.00	\$ 1,752,732.00	\$ -	\$ 190,000.00	\$ 1,587,001.00	\$ 1,942,732.00
Total	\$ 7,751,495.00	\$ 5,244,635.00	\$ 1,396,873.00	\$ 1,906,828.00	\$ 9,148,368.00	\$ 7,151,463.00
net of discounts or premiums						

The TOWN of HIGHLAND's total debt increased by a net **\$1,996,905** (28%) during the current fiscal year. General obligation debt increased by \$2,352,636 (45%). Revenue bonded indebtedness decreased (-\$355,731) (-18%). The key factor in the overall increase was a \$1,850,000 general obligation taxing district bond issued by the Parks and Recreation District and a \$1,750,000 general obligation taxing district bond issued by the Redevelopment District.

The TOWN of HIGHLAND maintains an A rating from Standard and Poor's for its rated debt.

State statutes and the Indiana Constitution limit the amount of general obligation debt that a governmental entity may issue. Article 13 of the Indiana Constitution states that a municipal corporation may not exceed two percent (2%) of one-third of the total assessed valuation of the unit. Statutes also limit so-called special taxing districts, which are co-terminus with the boundaries of the Town. The Parks and Recreation District may not exceed two percent (2%), the Redevelopment District may not exceed two percent (2%), the Waterworks District may not

exceed eight percent (8%) and the Sanitary District may not exceed twelve percent (12%) of one-third of the total assessed valuation of the Town.

Additional information on the TOWN of HIGHLAND'S long-term debt can be found in note IV (H) on pages 46-47 of this report.

Economic Factors and Next Year's Budget and Rates

- Inflationary trends in the region compare favorably to the national indices.
- The regional delay due to the delay of the property taxes owing to the general trending reassessment continues but has moved towards the normal cycle.

All of these factors were considered in preparing the TOWN of HIGHLAND's budget for the 2007 fiscal year.

During the current fiscal year, unreserved, undesignated fund balance in the general fund increased to \$647,891. The TOWN of HIGHLAND has appropriated most of this amount for spending in the FY 2007 budget. It is intended that the use of this fund balance will offset revenue shortfalls owing to tax bill delays and permit expenditures for one-time deferred needs of the municipality. These include the replacement and acquisition of three (3) new vehicles for use by Building and code enforcement as well as upgrades to information and communications systems.

Solid Waste Management user charges were increased in 2006 by 19%. The increase was necessary to finance cost increases charged by the solid waste curb side collection vendor after bids were solicited for these services.

Stormwater rates and charges were scheduled for an automatic increase in January of 2006. The Board of Sanitary Commissioners after an appeal by members of the Town Council consented to delay the effective date of the new rate increase until January of 2007.

Finally, in March of 2006, the Town Council appointed the Town's first Town Manager, Richard Underkofler, formerly of Mattoon, Illinois. Mr. Underkofler has been engaged for a contractual term to conclude on December 31, 2007. This term was in part determined owing to Indiana statutory prohibitions, which prohibit Town manager contracts to extend beyond the term of the elected Town Council. All five members of the Town Council and the Clerk-Treasurer are subject to municipal election in 2007 and their terms will end before noon, January 1, 2008.

Requests for Information

This financial report is designed to provide a general overview of the TOWN of HIGHLAND's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Clerk-Treasurer, 3333 Ridge Road, TOWN of HIGHLAND, INDIANA, 46322.

TOWN OF HIGHLAND, INDIANA
STATEMENT OF NET ASSETS
December 31, 2006

Assets	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 1,246,022	\$ 621,070	\$ 1,867,092
Receivables (net of allowances for uncollectibles):			
Interest	14,890	662	15,552
Taxes	827,559	7,482	835,041
Accounts	77,007	66,902	143,909
Intergovernmental	360,399	8,110	368,509
Inventories	-	88,815	88,815
Prepaid items	15,554	5,388	20,942
Deferred charges	174,573	24,442	199,015
Restricted assets:			
Cash and cash equivalents	6,071,002	3,031,951	9,102,953
Interest receivable	25,640	10,910	36,550
Taxes receivable	250,665	46,079	296,744
Intergovernmental receivable	275,693	17,839	293,532
Special assessments receivable	16,994	-	16,994
Cooperative receivable	1,750,000	-	1,750,000
Capital assets:			
Land and construction in progress	3,317,522	172,727	3,490,249
Other capital assets, net of depreciation	17,207,478	18,534,034	35,741,512
Total assets	31,630,998	22,636,411	54,267,409

The notes to the financial statements are an integral part of this statement.

Continued on next page

TOWN OF HIGHLAND, INDIANA
STATEMENT OF NET ASSETS
December 31, 2006
(Continued)

	Primary Government		
Liabilities	Governmental Activities	Business-Type Activities	Total
Accounts payable	315,415	328,047	643,462
Accrued payroll and withholdings payable	163,695	42,664	206,359
Contracts payable	-	60,592	60,592
Taxes payable	-	9,014	9,014
Accrued interest payable	40,781	16,813	57,394
Payable from restricted assets:			
Accounts payable	43,001	-	43,001
Accrued payroll and withholdings payable	15,784	-	15,784
Contracts payable	217,427	-	217,427
Customer deposits	-	114,236	114,236
Accrued bond interest	121,477	5,903	127,380
Noncurrent liabilities:			
Amounts due within one year:			
General obligation bonds payable	784,000	396,873	1,180,873
Revenue bonds payable	180,000	-	180,000
Compensated absences	351,834	73,078	424,912
Capital lease obligations	59,840	-	59,840
Amounts due beyond one year:			
General obligation bonds payable (net of discounts or premiums)	5,380,494	1,000,000	6,380,494
Compensated absences	123,028	19,345	142,373
Revenue bonds payable (net of discounts or premiums)	1,407,001	-	1,407,001
Matured bonds and coupons payable	-	1,056	1,056
Capital lease obligations	68,413	-	68,413
Net pension obligation	5,404,597	-	5,404,597
Total liabilities	14,676,787	2,067,421	16,744,208
<u>Net Assets</u>			
Invested in capital assets, net of related debt	16,022,139	17,309,888	33,332,027
Restricted for:			
Highways and streets	739,229	-	739,229
Debt service	720,220	356,186	1,076,406
Capital projects	2,924,215	2,561,529	5,485,744
Other purposes	324,968	-	324,968
Unrestricted	(3,776,560)	341,387	(3,435,173)
Total net assets	\$ 16,954,211	\$ 20,568,990	\$ 37,523,201

The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND, INDIANA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,063,441	\$ 667,044	\$ 4,750	\$ 84,118	\$ (1,307,529)	\$ -	\$ (1,307,529)
Public safety	4,934,503	191,644	43,401	-	(4,699,458)	-	(4,699,458)
Highways and streets	1,882,447	-	894,210	1,226,415	238,178	-	238,178
Sanitation	1,570,682	1,266,124	239,212	6,987	(68,359)	-	(68,359)
Urban redevelopment	1,871,473	-	-	7,000	(1,864,473)	-	(1,864,473)
Culture and recreation	2,112,857	821,114	13,362	1,000	(1,277,381)	-	(1,277,381)
Interest on long-term debt	264,697	-	-	-	(264,697)	-	(264,697)
Total governmental activities	14,700,100	2,945,926	1,194,935	1,325,520	(9,233,719)	-	(9,233,719)
Business-type activities:							
Water	2,165,586	2,531,464	-	-	-	365,878	365,878
Sanitary District	3,670,388	2,961,916	-	-	-	(708,472)	(708,472)
Total business-type activities	5,835,974	5,493,380	-	-	(342,594)	(342,594)	(342,594)
Total primary government	\$ 20,536,074	\$ 8,439,306	\$ 1,194,935	\$ 1,325,520	(9,233,719)	(342,594)	(9,576,313)
General revenues:							
Property taxes					7,207,152	576,090	7,783,242
Excise taxes					555,440	-	555,440
Financial institution tax					35,450	-	35,450
Commercial vehicle excise tax					17,013	-	17,013
ABC gallonage tax					58,225	-	58,225
Cigarette tax					22,941	-	22,941
Other					147,842	-	147,842
Unrestricted investment earnings					323,136	122,404	445,540
Special item:					-	-	-
Cooperative agreement revenue					1,750,000	-	1,750,000
Total general revenues and special item					10,117,199	698,494	10,815,693
Change in net assets					883,480	355,900	1,239,380
Net assets - beginning					11,212,661	20,213,090	31,425,751
Prior period adjustment (Note IV.J.)					4,858,070	-	4,858,070
Restated net assets - beginning					16,070,731	20,213,090	36,283,821
Net assets - ending					\$ 16,954,211	\$ 20,568,990	\$ 37,523,201

The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND, INDIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2006

Assets	General	Parks and Recreation	Park Nonreverting Capital	Redevelopment Capital	Other Governmental Funds	Totals
Cash and cash equivalents	\$ 526,863	\$ 29,648	\$ -	\$ -	\$ 130,728	\$ 667,239
Receivables (net of allowances for uncollectibles):						
Interest	11,150	1,152	-	-	269	12,571
Taxes	692,694	116,848	-	-	18,017	827,559
Accounts	56,054	491	-	-	-	56,545
Intergovernmental	307,350	45,962	-	-	7,087	360,399
Restricted assets:						
Cash and cash equivalents	-	-	1,777,770	471,933	3,821,299	6,071,002
Interest receivable	-	-	7,958	1,828	15,854	25,640
Taxes receivable	-	-	-	7,872	242,793	250,665
Intergovernmental receivable	-	-	-	3,096	272,597	275,693
Special assessments receivable	-	-	-	-	16,994	16,994
Total assets	\$ 1,594,111	\$ 194,101	\$ 1,785,728	\$ 484,729	\$ 4,525,638	\$ 8,584,307
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 276,274	\$ 35,839	\$ -	\$ -	\$ 3,302	\$ 315,415
Accrued payroll and withholdings payable	138,025	23,819	-	-	1,851	163,695
Interfund payable:						
Interfund loan	-	80,000	-	-	-	80,000
Deferred revenue	223,164	37,094	-	-	12,828	273,086
Payable from restricted assets:						
Accounts payable	-	-	-	200	42,801	43,001
Accrued payroll and withholdings payable	-	-	-	-	15,784	15,784
Contracts payable	-	-	137,293	-	80,134	217,427
Deferred revenue	-	-	-	2,499	94,338	96,837
Total liabilities	637,463	176,752	137,293	2,699	251,038	1,205,245

The notes to the financial statements are an integral part of this statement.

Continued on next page

TOWN OF HIGHLAND, INDIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2006
(Continued)

	General	Parks and Recreation	Park Nonreverting Capital	Redevelopment Capital	Other Governmental Funds	Totals
Fund balances:						
Reserved for:						
Encumbrances	308,757	28,363	11,868	5,255	408,579	762,822
Unreserved, reported in:						
General fund	647,891	-	-	-	-	647,891
Special revenue funds	-	(11,014)	-	-	1,113,655	1,102,641
Capital projects funds	-	-	1,636,567	476,775	1,952,211	4,065,553
Debt service funds	-	-	-	-	800,155	800,155
Total fund balances	<u>956,648</u>	<u>17,349</u>	<u>1,648,435</u>	<u>482,030</u>	<u>4,274,600</u>	<u>7,379,062</u>
Total liabilities and fund balances	<u>\$ 1,594,111</u>	<u>\$ 194,101</u>	<u>\$ 1,785,728</u>	<u>\$ 484,729</u>	<u>\$ 4,525,638</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Prepaid items paid in the current period, but not expended currently and, therefore, are reported in the funds as expenditures.

Net pension obligation are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of governmental activities

	20,525,000
	2,119,923
	(925,806)
	(6,754,925)
	15,554
	<u>(5,404,597)</u>
	<u>\$ 16,954,211</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND, INDIANA
 STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006

	Parks and Recreation		Park Nonreverting Capital		Redevelopment Capital	Other Governmental Funds		Total Governmental Funds
	General	Recreation	Nonreverting Capital	Other Governmental Funds		Redevelopment Capital	Other Governmental Funds	
Revenues:								
Taxes	\$ 5,330,265	\$ 910,054	\$ -	\$ -	\$ 59,412	\$ 1,905,459	\$ 8,205,190	
Special assessments	-	-	-	-	-	64,548	64,548	
Licenses and permits	377,190	-	-	-	-	24,710	401,900	
Intergovernmental	596,533	66,890	-	-	4,439	2,541,686	3,208,548	
Charges for services	1,519,224	532,564	11,892	-	-	53,938	2,117,618	
Fines and forfeits	71,011	-	-	-	-	3,939	74,950	
Other	209,159	333,660	44,023	-	35,461	198,019	820,322	
Total revenues	8,103,382	1,842,168	55,915	55,915	99,312	4,792,299	14,893,076	
Expenditures:								
Current:								
General government	1,546,079	-	-	-	-	-	1,546,079	
Public safety	4,524,620	-	-	-	-	186,784	4,711,404	
Highways and streets	-	-	-	-	-	1,055,462	1,055,462	
Sanitation	1,548,584	-	-	-	-	22,098	1,570,682	
Culture and recreation	-	1,821,094	-	-	-	77,887	1,898,981	
Urban redevelopment	-	-	-	-	-	153,164	153,164	
Debt service:								
Principal	-	-	-	-	-	1,084,000	1,084,000	
Interest	-	-	-	-	-	226,404	226,404	
Capital outlay:								
General government	-	-	-	-	-	287,474	287,474	
Highways and streets	-	-	-	-	-	422,998	422,998	
Culture and recreation	-	-	485,963	-	-	-	485,963	
Urban redevelopment	-	-	-	-	1,750,890	-	1,750,890	
Total expenditures	7,619,283	1,821,094	485,963	485,963	1,750,890	3,516,271	15,193,501	
Excess (deficiency) of revenues over (under) expenditures	484,099	21,074	(430,048)	(430,048)	(1,651,578)	1,276,028	(300,425)	
Other financing sources (uses):								
Transfers in	-	-	18,592	-	-	51,000	69,592	
Transfers out	(9,592)	(10,000)	-	-	-	(50,000)	(69,592)	
Issuance of debt	-	-	1,850,000	-	1,750,000	-	3,600,000	
Discounts related to issuance of debt	-	-	-	-	(8,750)	-	(8,750)	
Capital lease proceeds	149,282	-	-	-	-	-	149,282	
Total other financing sources and uses	139,690	(10,000)	1,868,592	1,868,592	1,741,250	1,000	3,740,532	
Net change in fund balances	623,789	11,074	1,438,544	89,672	89,672	1,277,028	3,440,107	
Fund balances - beginning	332,859	6,275	209,891	392,358	2,987,572	3,938,955		
Fund balances - ending	\$ 956,648	\$ 17,349	\$ 1,648,435	\$ 482,030	\$ 4,274,600	\$ 7,379,062		

The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND, INDIANA
 RECONCILIATION OF THE STATEMENT OF REVENUES
 EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 For The Year Ended December 31, 2006

<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Net change in fund balances - total governmental funds (Statement of Revenues, Expenditures and Changes in Fund Balances)</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p> <p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.</p> <p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p> <p>The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p> <p>Net pension obligations are considered long-term obligations of the general government, but are not current expenditures.</p> <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p> <p>Some revenues reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as revenues in governmental funds.</p> <p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.</p> <p>Change in net assets of governmental activities (Statement of Activities)</p>	<p>\$ 3,440,107</p> <p>(470,130)</p> <p>(11,881)</p> <p>753,053</p> <p>(2,596,563)</p> <p>(242,371)</p> <p>(16,780)</p> <p>28,045</p> <p><u>\$ 863,480</u></p>
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The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND, INDIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2006

Assets	Business-Type Activities - Enterprise Funds			Total	Governmental Activities	
	Water Utility	Sanitary District	Internal Service Funds		Internal Service Funds	Internal Service Funds
Current assets:						
Cash and cash equivalents	\$ 184,079	\$ 456,891	\$ -	\$ 621,070	\$ 558,783	2,319
Interest receivable	80	582	-	662	7,482	-
Taxes receivable (net of allowance)	-	7,482	-	7,482	66,902	20,462
Accounts receivable (net of allowance)	45,508	21,394	-	66,902	-	-
Interfund receivables:						
Interfund loan	-	-	-	-	-	80,000
Intergovernmental receivable	-	8,110	-	8,110	-	-
Inventories	72,480	16,335	-	88,815	-	-
Current portion of operating lease	-	-	-	-	9,250	-
Current portion of direct financing lease	-	-	-	-	-	182,504
Prepaid items	2,694	2,694	-	5,388	-	-
Restricted cash, cash equivalents and investments:						
Customer deposits	114,236	-	-	114,236	-	-
Bond and interest	236,071	120,115	-	356,186	-	-
Other restricted assets:						
Interest receivable	537	309	-	846	-	-
Taxes receivable (net of allowance)	43,731	2,348	-	46,079	-	-
Intergovernmental receivable	15,888	454	-	16,342	-	-
Total current assets	695,304	696,814	-	1,332,118	865,318	-
Noncurrent assets:						
Restricted cash, cash equivalents and investments:						
Improvement	1,626,922	817,047	-	2,443,969	-	-
Extension	-	116,363	-	116,363	-	-
Co-op	-	1,197	-	1,197	-	-
Other restricted assets:						
Interest receivable	6,406	3,658	-	10,064	-	-
Intergovernmental receivable	-	1,497	-	1,497	-	-
Total restricted assets	1,633,328	939,762	-	2,573,090	-	-
Deferred charges	230	24,212	-	24,442	40,412	46,250
Operating lease receivable	-	-	-	-	-	-
Net investment in direct financing lease	-	-	-	-	-	977,910
Capital assets:						
Land construction in progress	77,122	96,605	-	172,727	-	-
Other capital assets (net of accumulated depreciation)	8,512,646	10,021,388	-	18,534,034	-	-
Total capital assets	8,589,768	10,118,993	-	18,706,761	-	-
Total noncurrent assets	10,223,328	11,080,967	-	21,304,293	1,064,572	-
Total assets	10,918,630	11,717,781	-	22,636,411	1,927,890	-

The notes to the financial statements are an integral part of this statement.

Continued on next page

TOWN OF HIGHLAND, INDIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2008
(Continued)

Liabilities	Business-Type Activities - Enterprise Funds			Governmental Activities	
	Water Utility	Sanitary District	Total	Internal Service Funds	
Current liabilities:					
Accounts payable	87,963	240,084	328,047	-	-
Accrued payroll and withholding payable	20,241	22,423	42,664	-	-
Contracts payable	11,565	49,027	60,592	-	-
Taxes payable	9,014	-	9,014	-	-
Revenue bonds and accrued interest	-	-	-	220,781	-
Compensated absences	33,425	39,653	73,078	-	-
Accrued interest payable	-	16,613	16,613	-	-
Current liabilities payable from restricted assets:					
Customer deposits	114,236	-	114,236	-	-
Accrued interest payable	5,903	-	5,903	-	-
General obligation bonds payable	279,873	117,000	396,873	-	-
Total current liabilities	562,220	484,800	1,047,020		220,781
Noncurrent liabilities:					
General obligation bonds payable (net of unamortized discounts)	-	1,000,000	1,000,000	-	-
Revenue bonds payable (net of unamortized discounts or premiums)	-	-	-	-	1,407,001
Compensated absences	8,110	11,235	19,345	-	-
Matured bonds and coupons payable	-	1,056	1,056	-	-
Total noncurrent liabilities	8,110	1,012,291	1,020,401		1,407,001
Total liabilities	570,330	1,497,091	2,067,421		1,627,782
Net Assets					
Invested in capital assets, net of related debt	8,309,895	8,998,993	17,308,888	-	-
Restricted for debt service	236,071	120,115	356,186	-	-
Restricted for capital projects	1,626,922	934,607	2,561,529	-	-
Unrestricted	175,412	185,975	361,387	-	300,108
Total net assets	\$ 10,348,300	\$ 10,220,690	\$ 20,568,990		\$ 300,108

The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND, INDIANA
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For The Year Ended December 31, 2006

	Business-Type Activities - Enterprise Funds		Total	Governmental Activities	
	Water Utility	Sanitary District		Internal	Service Funds
Operating revenues:					
Unmetered water revenue	\$ 1,463	\$ -	\$ 1,463	\$ -	-
Metered revenue	1,958,091	2,904,307	4,862,398	-	-
Fire protection revenue	313,879	-	313,879	-	-
Penalties	17,399	31,411	48,810	-	-
Other water revenue	166,859	-	166,859	-	-
Charges for services	-	-	-	-	79,472
Other	73,973	26,198	100,171	-	-
Total operating revenues	2,531,464	2,961,916	5,493,380	79,472	-
Operating expenses:					
Source of supply and expense - operations and maintenance	675,186	-	675,186	-	-
Transmission and distribution	528,757	-	528,757	-	-
Collection system - operations and maintenance	-	553,281	553,281	-	-
Pumping - operations and maintenance	85,966	449,961	535,927	-	-
Treatment and disposal expense - operations and maintenance	-	1,449,621	1,449,621	-	-
Customer accounts	78,771	122,129	200,900	-	-
Administration and general	425,065	577,212	1,002,277	-	10,945
Depreciation	349,563	474,559	824,122	-	-
Total operating expenses	2,143,308	3,626,763	5,770,071	10,945	-
Operating income (loss)	388,156	(664,847)	(276,691)	68,527	-
Nonoperating revenues (expenses):					
Interest and investment revenue	42,231	80,173	122,404	17,792	-
Local tax distributions	319,550	256,540	576,090	-	-
Interest expense	(16,784)	(40,959)	(57,743)	(80,829)	-
Amortization of bond issue costs	(5,494)	(2,666)	(8,160)	-	(4,223)
Total nonoperating revenue (expenses)	339,503	293,088	632,591	(67,260)	-
Change in net assets	727,659	(371,759)	355,900	1,267	-
Total net assets - beginning	9,620,641	10,592,449	20,213,090	298,841	-
Total net assets - ending	\$ 10,348,300	\$ 10,220,690	\$ 20,568,990	\$ 300,108	\$ -

The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND, INDIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2006

	Business-Type Activities - Enterprise Funds			Governmental Activities	
	Water Utility	Sanitary District	Total	Internal	Service Funds
Cash flows from operating activities:					
Receipts from customers and users	\$ 2,579,686	\$ 2,928,185	\$ 5,507,871	\$ -	-
Payments to suppliers	(1,312,912)	(2,293,848)	(3,606,760)	(10,945)	-
Payments to employees	(601,223)	(780,943)	(1,382,166)	-	-
Other receipts	73,973	26,198	100,171	-	-
	739,524	(120,408)	619,116	(10,945)	-
Net cash provided (used) by operating activities					
Cash flows from noncapital financing activities:					
Temporary loans made	-	-	-	(296,480)	-
Temporary loans repaid	-	-	-	216,480	-
	-	-	-	(80,000)	-
Net cash used by noncapital financing activities					
Cash flows from capital and related financing activities:					
Local tax distributions	346,640	327,410	674,050	-	-
Acquisition and construction of capital assets	(145,496)	(1,426,773)	(1,572,269)	-	-
Principal paid on capital debt	(465,000)	(68,000)	(513,000)	(165,000)	-
Interest paid on capital debt	(24,740)	(38,258)	(62,998)	-	(85,788)
	(278,596)	(1,195,621)	(1,474,217)	(250,788)	-
Net cash used by capital and related financing activities					
Cash flows from investing activities:					
Proceeds from net investment in direct financing lease	-	-	-	241,538	-
Proceeds from operating lease receivable	-	-	-	9,250	-
Interest received	35,911	81,347	117,258	16,653	-
	35,911	81,347	117,258	267,441	-
Net cash provided by investing activities					
Net increase (decrease) in cash and cash equivalents	496,839	(1,234,682)	(737,843)	(74,292)	-
Cash and cash equivalents, January 1 (including \$1,480,239 and \$2,242,706 for the Water Utility and Sanitary District, respectively, reported in restricted accounts)	1,644,469	2,746,395	4,390,864	633,075	-
Cash and cash equivalents, December 31 (including \$1,977,229 and \$1,054,722 for the Water Utility and Sanitary District, respectively, reported in restricted accounts)	\$ 2,141,308	\$ 1,511,713	\$ 3,653,021	\$ 556,783	-

The notes to the financial statements are an integral part of this statement.

Continued on next page

TOWN OF HIGHLAND, INDIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2006
(Continued)

	Business-Type Activities -			Governmental
	Enterprise Funds			Activities
	Water	Sanitary	Total	Internal
	Utility	District		Service Funds
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 388,156	\$ (664,847)	\$ (276,691)	\$ 68,527
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	349,563	474,559	824,122	-
Noncash items:				
Deferred revenue recognized	-	-	-	(79,472)
(Increase) decrease in assets:				
Accounts receivable	(3,315)	(6,444)	(9,759)	-
Allowance for uncollectible accounts	-	7,373	7,373	-
Inventories	5,607	(3,960)	1,647	-
Prepaid items	(2,694)	(2,694)	(5,388)	-
Increase (decrease) in liabilities:				
Customer deposits	5,350	-	5,350	-
Accounts payable	(5,003)	68,640	63,637	-
Accrued payroll and withholdings payable	1,229	6,619	7,848	-
Tax payable	(101)	-	(101)	-
Compensated absence payable	732	346	1,078	-
Total adjustments	351,368	544,439	895,807	(79,472)
Net cash provided (used) by operating activities	\$ 739,524	\$ (120,408)	\$ 619,116	\$ (10,945)
Noncash investing, capital and financing activities:				
Purchase of capital assets on account	\$ 31,208	\$ 68,672	\$ -	-
Assets capitalized in prior year on account	(25,017)	(27,437)	-	-
Accounts payable for refund of excess tax distribution	-	30,665	-	-

The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND, INDIANA
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 December 31, 2006

Assets	Pension Trust Fund	Agency Funds
Cash and cash equivalents	\$ 147,799	\$ 74,361
Receivables:		
Employer contributions	42,409	-
Interest and dividends	627	77
Total receivables	43,036	77
Investments at fair value:		
Participation in investment pools of other governments	83,458	-
Total assets	274,293	\$ 74,438
Liabilities		
Payroll withholdings payable	-	\$ 46,304
Trust payable	-	28,134
Total liabilities	-	\$ 74,438
Net Assets		
Held in trust for:		
Employees' pension benefits and other purposes	274,293	
Total net assets	\$ 274,293	

The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND, INDIANA
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS

For The Year Ended December 31, 2006

<u>Additions</u>	Pension Trust Fund
Contributions:	
Employer	\$ 126,719
On-behalf	584,274
Other	<u>2,414</u>
Total contributions	<u>713,407</u>
Investment income:	
Net increase in fair value of investments	10,342
Interest	<u>21,559</u>
Total investment income	<u>31,901</u>
Total additions	<u>745,308</u>
<u>Deductions</u>	
Benefits	769,684
Administrative expense	<u>582</u>
Total deductions	<u>770,266</u>
Changes in net assets	(24,958)
Net assets - beginning	<u>299,251</u>
Net assets - ending	<u>\$ 274,293</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Town of Highland (government) was established under the laws of the State of Indiana. The government operates under a Town Council form of government and provides the following services: public safety (police and fire), highways and streets, health, welfare and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment.

The accompanying financial statements present the activities of the government and its significant component units. The component unit discussed below is included in the government's reporting entity because of the significance of its operational or financial relationships with the government. The blended component unit, although legally separate entity, is in substance part of the government's operations and exist solely to provide services for the government; data from the unit is combined with data of the government.

Blended Component Unit

The Parks and Recreation Building Corporation is a significant blended component unit of the government. The government appoints a voting majority of the Parks and Recreation Building Corporation's board and a financial benefit/burden relationship exists between the government and the Parks and Recreation Building Corporation. Although it is legally separate from the government, the Parks and Recreation Building Corporation is reported as if it were a part of the government because it provides services entirely or almost entirely to the government. The Parks and Recreation Building Corporation's sole purpose was to finance and construct the government's multi-purpose recreational facility. Complete financial statements of the individual component unit can be obtained from the Town of Highland, Clerk-Treasurer's Office, at 3333 Ridge Road, Highland, Indiana, 46322.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Agency funds, however, report only assets and liabilities. Since they do not report equity (or changes in equity), they have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Proprietary fund types and pension trust funds are reported using the accrual basis of accounting. Under this method, revenues, including contributions received by pension trust funds, are recorded when earned and expenses, including benefits and refunds paid by pension trust funds, are recorded at the time the liabilities are incurred.

Property taxes, franchise fees, licenses and permits and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The parks and recreation fund accounts for the operation of the parks and recreation department including the maintenance of the park system and the operation of recreation and cultural programs.

The park nonreverting capital fund accounts for financial resources for the purposes of acquiring land or making specific capital improvements to facilities and plant under the jurisdiction of the parks and recreation department.

The redevelopment capital fund accounts for financial resources for the purpose of acquiring land or making specific capital improvements to facilities and plant under the jurisdiction of the redevelopment department.

The government reports the following major proprietary funds:

The water utility fund accounts for the operation of the government's water distribution system.

The sanitary district fund accounts for the operation of the government's wastewater treatment plant, pumping stations and collection systems, as well as the storm water facilities.

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the government reports the following fund types:

The internal service funds account for health insurance coverage, and for the Parks and Recreation Building Corporation, a blended component unit of the Town, established for the sole purpose of construction of a recreational facility and leasing such facility.

The pension trust fund accounts for the activities of the 1925 police officer's pension fund which accumulates resources for pension benefit payments.

Agency funds account for assets held by the government as an agent for federal, state and other local governmental entities and payroll deductions.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town and the Utilities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

State statute (IC 5-13-9) authorizes the government to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the government in June and in December. State statutes (IC 6-1.1-17-16) require the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments that become delinquent if not paid by May 10 and November 10, respectively. Delinquent property taxes outstanding at year end for governmental funds, net of allowances for uncollectible accounts, are recorded as a receivable with an offset to deferred revenue since the amounts are not considered available. For additional information about property tax rates and levies for 2006, see Note V.C.

3. Inventories and Prepaid Items

All inventories are valued at the lower of cost using the first in/first out (FIFO) method or market and consist of maintenance supplies and replacement parts held for consumption. The Town does not record inventories for its governmental funds. The cost is recorded as an expenditure in governmental funds at the time individual inventory items are purchased, and as an expense in proprietary funds at the time individual inventory are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

4. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because their use is limited by applicable bond indentures or governing body action.

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ -	N/A	N/A
Construction in progress	-	N/A	N/A
Buildings	5,000	Straight-line	40 years
Improvements other than buildings	5,000	Straight-line	10 to 40 years
Machinery and equipment	5,000	Straight-line	4 to 20 years
Infrastructure and underground	5,000	Straight-line	15 to 50 years

N/A = Not applicable

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

6. Compensated Absences

- a. **Vacation Leave** – government employees earn vacation leave at rates from 10 days to 25 days per year based upon the number of years of service. Vacation leave is accrued each year and available to employees the following year. Accumulated vacation leave is paid to employees upon separation of employment.
- b. **Personal Leave** – government employees earn personal leave at the rate of 6 days per year. Unused personal leave may be accumulated to a maximum of 20 days. Accumulated personal leave is paid to employees upon separation of employment.

Vacation and personal leave is accrued when incurred and reported as a liability in the statement of net assets. Only amounts due and payable at year end are included in the fund statements.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

TOWN OF HIGHLAND, INDIANA
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Reclassified Prior Year Data

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. See Note IV.J. for further explanation.

II. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide Statement of Net Assets.

One element of that reconciliation states that "Internal service funds are used by management to charge the cost of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets." The details of this \$925,806 difference are as follows:

Cash and cash equivalents	\$	558,783
Interest receivable		2,319
Accounts receivable		20,462
Interfund receivable		80,000
Deferred charges		40,412
Accrued interest payable		(40,781)
Revenue bonds payable, net		<u>(1,587,001)</u>
 Total	 \$	 <u><u>(925,806)</u></u>

Another area of that reconciliation states that "Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$6,754,925 difference are as follows:

TOWN OF HIGHLAND, INDIANA
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

General obligation bonds, net	\$ (6,164,494)
Less: deferred charge for issuance costs (to be amortized over the life of the debt)	134,161
Accrued interest payable	(121,477)
Capital lease obligations	(128,253)
Compensated absences	<u>(474,862)</u>
 Total	 <u>\$ (6,754,925)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide Statement of Activities.

One element of that reconciliation explains that "The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this \$2,596,563 difference are as follows:

Principal repayment:	
General obligation bonds	\$ 919,000
Revenue bonds	165,000
Capital lease obligation	80,680
Amortization:	
Bond issue costs	(27,263)
Bond discount	341
Issuance of bonds/capital leases	(3,732,464)
Less discount	(8,750)
Issuance costs to deferred debits	70,607
Change in accrued interest	<u>(63,714)</u>
 Total	 <u>\$ (2,596,563)</u>

Another element of that reconciliation explains that "Some expenses reported in the statement of activities do not required the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$16,780 difference are as follows:

Change in prepaid items	\$ (828)
Change in compensated absences	<u>(15,952)</u>
 Total	 <u>\$ (16,780)</u>

TOWN OF HIGHLAND, INDIANA
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

III. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis which is not consistent with accounting principles generally accepted in the United States. All annual appropriations lapse at fiscal year end.

On or before August 31, the Town Clerk-Treasurer submits to the Town Council a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the Town Council to obtain taxpayer comments. In September of each year, the Town Council, through the passage of an ordinance, approves the budget for the next year. Copies of the budget ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the Town Clerk-Treasurer receives approval from the Indiana Department of Local Government Finance.

The government's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the Town Council. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

IV. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2006, the bank balance held at MBIA Asset Management Group in the amount of \$402,306 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-Town's name. The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2006, the Town had the following investments:

Investment Type	Government	Investment Maturities (in Years)			Duration
	Fair Value	Less Than 1	1-2	More Than 2	
U.S. agencies	\$ 277,591	\$ 277,591	\$ -	\$ -	
Pension relief investment pool	58,421	-	-	-	3.60
Totals	<u>\$ 336,012</u>	<u>\$ 277,591</u>	<u>\$ -</u>	<u>\$ -</u>	

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Policies

Indiana Code 5-13-9 authorizes the Town to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Town and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Town may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

At the option of the Town, an additional distribution in a prior year of police pension relief funds was held for investment in an external investment pool (Pension Relief Fund) by the Public Employees' Retirement Fund of Indiana (PERF). These deferred amounts invested in the Fund are available to participating cities and towns at their request. The Pension Relief Fund is invested to a target of 70% fixed income debt instruments and 30% domestic stock. The fair value of the Town's investment in the Fund is the same as the value of pool shares. Domestic stock fair value as of December 31, 2006, was \$25,037. Responsibility of regulatory oversight for the pool is assumed by the PERF governing board, under direction by statute to "invest its assets with the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims." Utilizing external investment managers, the PERF Board diversifies such investments in accordance with prudent investment standards.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town does not have a formal

TOWN OF HIGHLAND, INDIANA
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

investment policy for custodial credit risk for investments that are uninsured and (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name. At December 31, 2006, the Town held investments of this type in external investment pools in the amount of \$277,591.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town must follow state statute and limit the stated final maturities of the investments to no more than two years.

Interest rate risk of the Pension Relief Fund's fixed income portfolio, using the duration approach, is 3.6.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

Standard and Poor's Rating	Town's Investments			
	Mutual Funds	Corporate Bonds	Government Sponsored Enterprise	Investment Pools
AAA	\$ -	\$ -	\$ -	\$ 317,025
AA	-	-	-	3,272
A	-	-	-	9,347
BBB	-	-	-	6,017
Unrated	-	-	-	351
Totals	\$ -	\$ -	\$ -	\$ 336,012

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

B. Receivables

The following receivable accounts have timing and credit characteristics different from typical accounts receivable.

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Cooperative Receivable

The Town of Highland and the City of Hammond, through their respective Redevelopment Commissions, approved an interlocal cooperation agreement on April 3, 2006, to burden-share on a Redevelopment Project that involved the recovery, razing, rehabilitation and redevelopment of an under maintained apartment complex in great need of redevelopment. The parcels are located on an area of land that is contiguous to the common borders of Hammond and Highland, along the Little Calumet River and Highland's Redevelopment Area.

The Highland and Hammond Redevelopment Commissions determined that the project had a common and positive impact for both communities. The project was also aligned with the general redevelopment goals and objectives that both communities had for the area. In this context, the Highland Redevelopment Commission consented to participate and burden-share with the City of Hammond on the costs of demolition of the apartments. Hammond issued a \$23 million bond issue as its share of the project.

In July of 2006, the Highland Redevelopment Commission issued special taxing district bonds in the amount of \$1,750,000 to support its share of costs associated with the razing. While treated like a loan, the proceeds were not actually directly lent. Instead, the City of Hammond assigned its demolition contracts to the Town of Highland, which agreed to make progress payments to the contractor up to the capped amount of the bonds.

Further, under the terms of the interlocal agreement, in consideration for this burden sharing, the City of Hammond Redevelopment Commission would repay the Town of Highland the principal amount of its bonds sold to support the project (\$1,750,000) and the actual interest costs which may be incurred after the first 18 months that the debt is in repayment. The source of the repayment would come from the sale of the redeveloped property to a private developer. Highland's participation in the project was substantially completed by December of 2006. Owing to this, the amount of \$1,750,000 is carried as a receivable from a cooperative redevelopment activity, for the year ended December 31, 2006.

Parks and Recreation Building Corporation Lease

The Parks and Recreation Building Corporation, a blended component unit reported as an internal service fund, has entered into a lease agreement with the government through 2013. The lease term commenced on the later of the day the building was ready for occupancy, or June 30, 1998. The government occupied the building as of October 1998. At the end of the lease period, the land and building become the property of the government. Accordingly, the lease is accounted for as a direct financing lease and will expire in 2013.

The following lists the component of the net investment in direct financing lease as of December 31, 2006:

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Total minimum lease payments to be received	\$ 1,674,000
Less: amounts representing estimated executory costs	<u>(55,500)</u>
Minimum lease payment receivable	1,618,500
Less: unearned income	<u>(448,086)</u>
Net investment in direct financing lease	1,170,414
Less: current portion	<u>(192,504)</u>
Net investment in direct financing lease, less current portion	<u>\$ 977,910</u>

At December 31, 2006, minimum lease payments are as follows:

	<u>Direct Financing Lease Payments</u>	<u>Operating Lease Payments</u>
2007	\$ 263,000	\$ 9,250
2008	268,000	9,250
2009	278,000	9,250
2010	281,000	9,250
2011	289,000	9,250
2012-2013	<u>295,000</u>	<u>9,250</u>
Totals	<u>\$ 1,674,000</u>	<u>\$ 55,500</u>

C. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Prior Period Adjustment</u>	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Primary Government						
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$ 2,528,508	\$ -	\$ 2,528,508	\$ -	\$ -	\$ 2,528,508
Construction in progress	<u>894,794</u>	<u>-</u>	<u>894,794</u>	<u>650,304</u>	<u>756,084</u>	<u>789,014</u>
Total capital assets, not being depreciated	<u>3,423,302</u>	<u>-</u>	<u>3,423,302</u>	<u>650,304</u>	<u>756,084</u>	<u>3,317,522</u>
Capital assets, being depreciated:						
Buildings	6,030,658	-	6,030,658	-	-	6,030,658
Improvements other than buildings	3,456,419	-	3,456,419	9,990	-	3,466,409
Machinery and equipment	4,271,462	-	4,271,462	232,527	246,262	4,257,727
Infrastructure being depreciated	<u>34,677,702</u>	<u>(9,922,013)</u>	<u>24,755,689</u>	<u>672,792</u>	<u>-</u>	<u>25,428,481</u>
Totals	<u>48,436,241</u>	<u>(9,922,013)</u>	<u>38,514,228</u>	<u>915,309</u>	<u>246,262</u>	<u>39,183,275</u>

**TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)**

Primary Government	Beginning Balance	Period Adjustment	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities (continued):						
Capital assets, being depreciated (continued):						
Less accumulated depreciation for:						
Buildings	3,732,785	-	3,732,785	168,882	-	3,901,667
Improvements other than buildings	2,435,162	-	2,435,162	107,860	-	2,543,022
Machinery and equipment	3,155,113	-	3,155,113	282,730	234,381	3,203,462
Infrastructure being depreciated	<u>28,387,542</u>	<u>(14,780,083)</u>	<u>11,607,459</u>	<u>720,187</u>	<u>-</u>	<u>12,327,646</u>
Totals	<u>35,710,602</u>	<u>(14,780,083)</u>	<u>20,930,519</u>	<u>1,279,659</u>	<u>234,381</u>	<u>21,975,797</u>
Total capital assets, being depreciated, net	<u>12,725,839</u>	<u>4,858,070</u>	<u>17,583,709</u>	<u>(384,350)</u>	<u>11,881</u>	<u>17,207,478</u>
Total governmental activity capital assets, net	<u>\$ 16,148,941</u>	<u>\$ 4,858,070</u>	<u>\$ 21,007,011</u>	<u>\$ 285,954</u>	<u>\$ 767,965</u>	<u>\$ 20,525,000</u>
Business-type activities:						
Capital assets, not being depreciated:						
Land	\$ 55,477	\$ -	\$ 55,477	\$ -	\$ -	\$ 55,477
Construction in progress	<u>578,380</u>	<u>-</u>	<u>578,380</u>	<u>1,493,538</u>	<u>1,954,668</u>	<u>117,250</u>
Total capital assets, not being depreciated	<u>633,857</u>	<u>-</u>	<u>633,857</u>	<u>1,493,538</u>	<u>1,954,668</u>	<u>172,727</u>
Capital assets, being depreciated:						
Buildings	1,062,132	-	1,062,132	-	-	1,062,132
Improvements other than buildings	4,519,693	-	4,519,693	5,150	-	4,524,843
Machinery and equipment	1,569,301	-	1,569,301	115,765	111,341	1,573,725
Distribution and collection systems	<u>28,225,508</u>	<u>-</u>	<u>28,225,508</u>	<u>1,959,910</u>	<u>-</u>	<u>28,185,418</u>
Totals	<u>33,376,834</u>	<u>-</u>	<u>33,376,834</u>	<u>2,080,825</u>	<u>111,341</u>	<u>35,346,118</u>
Less accumulated depreciation for:						
Buildings	582,555	-	582,555	24,544	-	607,099
Improvements other than buildings	1,647,910	-	1,647,910	113,371	5,000	1,756,281
Machinery and equipment	1,196,585	-	1,196,585	102,454	106,341	1,192,698
Distribution and collection systems	<u>12,672,253</u>	<u>-</u>	<u>12,672,253</u>	<u>583,753</u>	<u>-</u>	<u>13,256,006</u>
Totals	<u>16,099,303</u>	<u>-</u>	<u>16,099,303</u>	<u>824,122</u>	<u>111,341</u>	<u>16,812,064</u>
Total capital assets, being depreciated, net	<u>17,277,331</u>	<u>-</u>	<u>17,277,331</u>	<u>1,256,703</u>	<u>-</u>	<u>18,534,034</u>
Total business-type activity capital assets, net	<u>\$ 17,911,188</u>	<u>\$ -</u>	<u>\$ 17,911,188</u>	<u>\$ 2,750,241</u>	<u>\$ 1,954,668</u>	<u>\$ 18,706,781</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 22,908
Public safety	234,249
Highway and streets	787,718
Urban redevelopment	1,801
Culture and recreation	<u>232,983</u>
Total depreciation expense - governmental activities	<u>\$ 1,279,659</u>
Business-type activities:	
Water	\$ 349,563
Sanitary District	<u>474,559</u>
Total depreciation expense - business-type activities	<u>\$ 824,122</u>

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>Total Project Authorized</u>	<u>Expended to December 31, 2006</u>	<u>Committed</u>
Governmental funds:			
Main Square Park Project	\$ 923,262	\$ 396,278	\$ 526,984
Cottage Grove Reconstruction project	96,853	92,679	-
Kennedy, Ridge, and Little Calumet River project	1,015,200	187,701	-
Recreation Center/Lincoln Center	2,600	2,600	-
Cline/Ridge to 45th	257,400	103,000	254,800
Branton Avenue Reconstruction	<u>988,857</u>	<u>6,756</u>	<u>-</u>
Total governmental activities	<u>\$ 3,284,172</u>	<u>\$ 789,014</u>	<u>\$ 781,784</u>
Business-type activities:			
Water Utility:			
Cottage Grove Reconstruction project	\$ 66,067	\$ 59,461	\$ -
Sanitary District:			
Wastewater:			
Cottage Grove Reconstruction project	26,530	23,877	-
Hart Road Sanitary Sewer Extension project	94,575	6,261	-
Georgetown Phase II project	95,000	10,837	-
Eder/Maple Sewer Separation project	<u>665,345</u>	<u>16,814</u>	<u>648,531</u>
Total business-type activities	<u>\$ 947,517</u>	<u>\$ 117,250</u>	<u>\$ 648,531</u>

Many of the above projects involved expenditures for preliminary engineering work only as of December 31, 2006. Financing has not yet been obtained for, nor has the Town entered into, any construction contracts.

E. Interfund Balances and Activity

1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2006, is as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
Internal service	Parks and Recreation	<u>\$ 80,000</u>

Interfund balances resulted from the time lag between the dates that Interfund loans are repaid.

2. Interfund transfers for the year ended December 31, 2006, were as follows:

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General	Park Nonreverting Capital	\$ 8,592
General	Nonmajor governmental	1,000
Parks and Recreation	Park Nonreverting Capital	10,000
Nonmajor governmental	Nonmajor governmental	<u>50,000</u>
Total		<u>\$ 69,592</u>

The government typically uses transfers to fund ongoing operating subsidies.

F. Leases

1. Operating Leases

The government has entered into various operating leases having initial or remaining noncancelable terms exceeding one year for copiers. Rental expenditures for these leases were \$3,467. The following is a schedule by years of future minimum rental payments as of December 31, 2006:

	<u>Governmental Activities</u>
2007	\$ 6,582
2008	6,582
2009	<u>3,108</u>
Total	<u>\$ 16,272</u>

2. Capital Leases

The government has entered into various capital leases for vehicles and infrastructure. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2006, are as follows:

	<u>Governmental Activities</u>
2007	\$ 64,685
2008	61,660
2009	4,788
2010	<u>4,788</u>
Total minimum lease payments	135,921
Less amount representing interest	<u>7,668</u>
Present value of net minimum lease payments	<u>\$ 128,253</u>

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Assets acquired through capital leases still in effect are as follows:

	Governmental Activities
Machinery and equipment	\$ 149,281
Infrastructure and undergrounds	54,700
Total	203,981
Accumulated depreciation	(7,293)
Total	\$ 196,688

G. Short-Term Liabilities

Tax Anticipation Warrants

The government issues tax anticipation warrants in advance of property tax collections, depositing the proceeds in the appropriate fund. Tax anticipation warrants are necessary to meet budgeted expenditures prior to the time when tax proceeds are distributed.

Short-term debt activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Issued/ Draws	Redeemed Repayments	Ending Balance
Tax anticipation warrants	\$ 4,975,000	\$ -	\$ 4,975,000	\$ -

H. Long-Term Liabilities

1. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding at year end are as follows:

Purpose	Original Issue Amount	Interest Rates	Balance December 31	Less: Unamortized Discount	Amount
Governmental activities:					
2006 Park District bond	\$ 1,850,000	3.85% to 4.35%	\$ 1,850,000	\$ -	\$ 1,850,000
1998 Redevelopment District bond	1,850,000	4.3% to 4.5%	810,000	-	810,000
2002 Redevelopment District bond	610,000	3.06%	325,000	-	325,000
2006 Redevelopment District bond	1,750,000	6.375% to 6.5%	1,750,000	8,409	1,741,591
1999 Municipal bonds	1,575,000	4.85% to 4.9%	400,000	-	400,000
2005 Municipal bonds	1,091,903	3.1% to 4.0%	1,037,903	-	1,037,903
Total governmental activities	\$ 8,726,903		\$ 6,172,903	\$ 8,409	\$ 6,164,494

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Original Issue Amount	Interest Rates	Balance December 31	Less:	
				Unamortized Discount	Amount
Business-type activities:					
1997 Waterworks District bond	\$ 1,740,000	4.6%	\$ 280,000	\$ 127	\$ 279,873
2005 Sanitary District bond	<u>1,175,000</u>	3.1% to 4.0%	<u>1,117,000</u>	-	<u>1,117,000</u>
Total business-type activities	<u>\$ 2,915,000</u>		<u>\$ 1,397,000</u>	<u>\$ 127</u>	<u>\$ 1,396,873</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 599,000	\$ 273,600	\$ 397,000	\$ 45,396
2008	979,000	244,913	117,000	35,285
2009	789,000	205,763	117,000	31,453
2010	684,000	172,456	117,000	27,504
2011	469,000	145,321	117,000	23,438
2012-2016	2,292,903	384,178	532,000	51,565
2017-2021	<u>360,000</u>	<u>9,712</u>	-	-
Totals	<u>\$ 6,172,903</u>	<u>\$ 1,435,943</u>	<u>\$ 1,397,000</u>	<u>\$ 214,641</u>

2. Revenue Bonds

The government issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Original Issue Amount	Interest Rates	Balance at December 31	Plus	
				Unamortized Premium	Revenue Bonds
Governmental activities:					
1997 Parks and Recreation holding corporation bonds	<u>\$ 2,600,000</u>	5.125% to 5.20%	<u>\$ 1,580,000</u>	<u>\$ (7,001)</u>	<u>\$ 1,587,001</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Governmental Activities	
	Principal	Interest
2007	\$ 180,000	\$ 76,948
2008	190,000	67,466
2009	205,000	57,345
2010	225,000	46,326
2011	240,000	34,320
2012-2016	<u>540,000</u>	<u>28,600</u>
Totals	<u>\$ 1,580,000</u>	<u>\$ 311,005</u>

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation	\$ 3,491,903	\$ 3,600,000	\$ 919,000	\$ 6,172,903	\$ 784,000
Less deferred bond discount	-	(8,750)	(341)	(8,409)	-
Revenue	1,745,000	-	165,000	1,580,000	180,000
Add deferred bond premium	7,732	-	731	7,001	-
Total bonds payable	5,244,635	3,591,250	1,084,390	7,751,495	964,000
Capital leases	59,651	149,282	80,680	128,253	59,840
Compensated absences	458,910	456,100	440,148	474,862	351,834
Net pension obligation	5,162,226	242,371	-	5,404,597	-
Total governmental activities long-term liabilities	<u>\$ 10,925,422</u>	<u>\$ 4,439,003</u>	<u>\$ 1,605,218</u>	<u>\$ 13,759,207</u>	<u>\$ 1,375,674</u>
Business-type activities:					
Water Utility:					
Bonds payable:					
General obligation	\$ 545,000	\$ -	\$ 265,000	\$ 280,000	\$ 280,000
Revenue	190,000	-	190,000	-	-
Less deferred bond discount	(3,172)	-	(3,045)	(127)	-
Total bonds payable	731,828	-	451,955	279,873	-
Compensated absences	40,804	40,001	39,270	41,535	33,425
Total Water Utility long-term liabilities	<u>772,632</u>	<u>40,001</u>	<u>491,225</u>	<u>321,408</u>	<u>313,425</u>
Sanitary District:					
Bonds payable:					
General obligation	1,175,000	-	58,000	1,117,000	117,000
Compensated absences	50,542	39,616	39,270	50,888	39,653
Total Sanitary District long-term liabilities	<u>1,225,542</u>	<u>39,616</u>	<u>97,270</u>	<u>1,167,888</u>	<u>156,653</u>
Total business-type activities long-term liabilities	<u>\$ 1,998,174</u>	<u>\$ 79,617</u>	<u>\$ 588,495</u>	<u>\$ 1,489,296</u>	<u>\$ 940,156</u>

Compensated absences and the net pension obligation for governmental activities typically have been liquidated from the General, Motor Vehicle Highway, and Parks and Recreation Funds.

I. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Improvement account	\$ 2,443,969
Bond and interest account	356,186
Extension account	116,363
Customer deposits	114,236
Co-op account	1,197
Interest receivable	10,910
Taxes receivable	46,079
Intergovernmental receivable	<u>17,839</u>
 Total restricted assets	 <u><u>\$ 3,106,779</u></u>

J. Restatements and Reclassifications

For the year ended December 31, 2006, certain changes have been made to the financial statements to more appropriately reflect financial activity of the government. The following schedule presents a summary of restated beginning balances by fund type. Prior period adjustments represent the reporting of retroactive infrastructure and for corrections to capital assets not previously reported.

Fund Type	Balance as Reported December 31, 2005	Prior Period Adjustments	Balance as Restated January 1, 2006
Governmental activities:			
Invested in capital assets, net of related debt	\$ 10,987,839	\$ 4,858,070	\$ 15,845,909
Restricted for:			
Highways and streets	475,054	-	475,054
Debt service	565,362	-	565,362
Capital projects	2,335,711	-	2,335,711
Other purposes	210,295	-	210,295
Unrestricted	<u>(3,361,600)</u>	<u>-</u>	<u>(3,361,600)</u>
 Total net assets - governmental activities	 <u><u>\$ 11,212,661</u></u>	 <u><u>\$ 4,858,070</u></u>	 <u><u>\$ 16,070,731</u></u>

V. Other Information

A. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Group Health Insurance

Prior to October 1, 2000, the Town's Health Insurance Fund, an internal service fund, serviced the risk of loss related to employee health claims. The Town Council passed a resolution allowing this fund to stay open indefinitely.

No claims have been incurred or paid in the past two years.

Worker's Compensation

During 1990, the government joined together with other governmental entities to form the Indiana Public Employer's Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of worker's compensation claims. The government pays an annual premium to the risk pool for its worker's compensation coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Business-Type Capital Assets

The following is a breakdown of the business-type funds capital assets by Utility:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 17,661	\$ -	\$ -	\$ 17,661
Construction in progress	176,641	100,244	217,424	59,461
Total capital assets, not being depreciated	194,302	100,244	217,424	77,122
Capital assets, being depreciated:				
Buildings	1,062,132	-	-	1,062,132
Improvements other than buildings	3,957,279	-	-	3,957,279
Machinery and equipment	487,600	51,443	53,171	485,872
Infrastructure and underground	9,550,284	217,424	-	9,767,708
Totals	15,057,295	268,867	53,171	15,272,991
Less accumulated depreciation for:				
Buildings	582,555	24,544	-	607,099
Improvements other than buildings	1,431,073	89,122	-	1,520,195
Machinery and equipment	410,530	25,957	53,171	383,316
Infrastructure and underground	4,039,795	209,940	-	4,249,735
Totals	6,463,953	349,563	53,171	6,760,345
Total capital assets, being depreciated, net	8,593,342	(80,696)	-	8,512,646
Total Water Utility capital assets, net	\$ 8,787,644	\$ 19,548	\$ 217,424	\$ 8,589,768

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Sanitary District:				
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 37,816	\$ -	\$ -	\$ 37,816
Construction in progress	365,956	754,525	1,062,692	57,789
Total capital assets, not being depreciated	403,772	754,525	1,062,692	95,605
Capital assets, being depreciated:				
Improvements other than buildings	562,414	5,150	-	567,564
Machinery and equipment	1,032,854	64,322	58,170	1,039,006
Infrastructure and underground	7,506,377	1,062,692	-	8,569,069
Totals	9,101,645	1,132,164	58,170	10,175,639
Less accumulated depreciation for:				
Improvements other than buildings	216,837	24,249	5,000	236,086
Machinery and equipment	737,901	76,286	53,170	761,017
Infrastructure and underground	3,804,964	156,940	-	3,961,904
Totals	4,759,702	257,475	58,170	4,959,007
Total capital assets, being depreciated, net	4,341,943	874,689	-	5,216,632
Total Wastewater Utility capital assets, net	\$ 4,745,715	\$ 1,629,214	\$ 1,062,692	\$ 5,312,237
Business-type activities:				
Sanitary District:				
Storm Water:				
Capital assets, not being depreciated:				
Construction in progress	\$ 35,783	\$ 638,769	\$ 674,552	\$ -
Capital assets, being depreciated:				
Machinery and equipment	48,847	-	-	48,847
Infrastructure and underground	9,168,847	679,794	-	9,848,641
Totals	9,217,694	679,794	-	9,897,488
Less accumulated depreciation for:				
Machinery and equipment	48,154	210	-	48,364
Infrastructure and underground	4,827,494	216,874	-	5,044,368
Totals	4,875,648	217,084	-	5,092,732
Total capital assets, being depreciated, net	4,342,046	462,710	-	4,804,756
Total Storm Water capital assets, net	\$ 4,377,829	\$ 1,101,479	\$ 674,552	\$ 4,804,756

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Subsequent Events

The Board of Sanitary Commissioners has approved the issuance of bonds in 2007 by the Sanitary District for capital equipment and infrastructure improvements. The bonds will be sold in two series, totaling \$3,500,000. The series will have a 10 year and 18 year term for repayment. It is anticipated that the bonds will be issued in September 2007.

Due to delays caused by trending of assessments, the assessed valuations of Lake County have not been finalized. Therefore, the 2006 pay 2007 property tax rates and levies, as well as related budget orders for 2007, have not yet been established as of May 22, 2007. The Town has been advised by the County Treasurer that the first installment of the 2006 pay 2007 property tax billings are currently anticipated to be issued in August 2007.

D. Postemployment Benefits

In addition to the pension benefits described below, the government provides postemployment life insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the government on or after attaining age 55 with at least 20 years of service. Currently, two retirees meet these eligibility requirements. The government and retirees each provide 50% of these postemployment benefits. Expenditures for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2006, expenditures of \$103 were recognized for post-employment benefits.

E. Deferred Retirement Option Plan

Indiana Code 36-8-8.5 allows members of the 1925, 1937, and 1977 Police and Firefighter's Pension Plans to enter into a Deferred Retirement Option Plan (DROP). The member who elects to enter DROP agrees to (1) Execute an irrevocable election to retire on the DROP retirement date and shall remain in active service until that date. (2) The member shall elect a DROP retirement date not less than 12 months and not more than 36 months after the member's DROP entry date. (3) The member may not remain in the DROP after the date the member reaches any mandatory retirement age that may apply to the member. (4) The member may make an election to enter the DROP only once in the member's lifetime.

A member who retires on the member's DROP retirement date may elect to receive a retirement benefit in one of the following forms:

1. A retirement benefit paid by and calculated under the provisions of the applicable fund as if the member had never entered the DROP.
2. A retirement benefit paid by the applicable fund and consisting of (a) the DROP frozen benefit; plus (b) an additional amount, paid as the member elects, calculated by multiplying the amount of the DROP frozen benefit; by the number of months that the member was in the DROP. If this benefit is elected, the member must elect to receive the additional amount as either a lump sum paid on the member's DROP retirement date or three equal annual payments commencing on the member's DROP retirement date and thereafter paid on the anniversary of the member's DROP retirement date.

In 2006, a Town police officer in the 1925 Police Officers' Pension Plan met all the requirements of the DROP and elected a lump sum payment which totaled \$99,371 from the Police Pension Fund.

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The government contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the government authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The government's annual pension cost and related information, as provided by the actuary, is presented in this note. Contributions and benefits of this pension plan are recognized when due and payable in accordance with the terms of the plan.

Information to segregate the assets/liabilities and the actuarial study figures between the government and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the government and is presented in the governmental activities of the Statement of Net Assets and is not presented as an asset/liability of the business-type activities.

b. 1925 Police Officers' Pension Plan

Plan Description

The government contributes to the 1925 Police Officers' Pension Plan which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. Administrative costs of the plan are included in the annual operating budget of the fund. As provided by state statute, all administrative costs are paid from the fund. The Net Pension Obligation (NPO) is considered an obligation of the Town as a whole and is reflected in the Statement of Net Assets. Contributions and benefits of this pension plan are recognized when due and payable in accordance with the terms of the plan. On-behalf contributions from the State of Indiana as shown in the financial statements approximate an equal amount paid out for benefits.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>
Annual required contribution	\$ 164,382	\$ 830,500
Interest on net pension obligation	2,142	308,000
Adjustment to annual required contribution	<u>(2,441)</u>	<u>(373,000)</u>
Annual pension cost	164,083	765,500
Contributions made	<u>146,999</u>	<u>540,213</u>
Increase in net pension obligation	17,084	225,287
Net pension obligation, beginning of year	<u>29,547</u>	<u>5,132,679</u>
Net pension obligation, end of year	<u>\$ 46,631</u>	<u>\$ 5,357,966</u>

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>
Contribution rates:		
Town	6%	1,619%
Plan members	3%	6%
Actuarial valuation date	07-01-06	01-01-06
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years
Amortization period (from date)	07-01-97	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension
Investment rate of return	7.25%	6%
Projected future salary increases:		
Total	5%	4%
Attributed to inflation	4%	4%
Attributed to merit/seniority	1%	0%
Cost-of-living adjustments	2%	2.75/4%*

*2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 128,396	99%	\$ 35,068
	06-30-05	132,071	107%	29,547
	06-30-06	164,083	111%	46,631
1925 Police Officers' Pension Plan	12-31-03	1,102,000	40%	4,661,806
	12-31-04	1,106,400	57%	5,132,679
	12-31-05	765,500	71%	5,357,966

Membership in the 1925 Police Officers' Pension Plan at January 1, 2007, was comprised of the following:

	1925 Police Officers' Pension
Retires and beneficiaries currently receiving benefits	25
Terminated employees entitled to but not yet receiving benefits	-
Current active employees	-

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Statement of Fiduciary Net Assets:

<u>Assets</u>	<u>1925 Police Officers' Pension</u>
Cash and cash equivalents	\$ 147,799
Receivables:	
Employer contributions	42,409
Interest and dividends	<u>627</u>
Total receivables	<u>43,036</u>
Investments at fair value:	
Participation in investment pools of other governments	<u>83,458</u>
Total assets	<u>274,293</u>
Net assets:	
Held in trust for:	
Employees' pension benefit	<u>274,293</u>
Total net assets	<u>\$ 274,293</u>

Statement of Changes in Fiduciary Net Assets:

Additions

Contributions:	
Employer	\$ 126,719
On-behalf	584,274
Other	<u>2,414</u>
Total contributions	<u>713,407</u>
Investment income:	
Net Increase in fair value of investments	10,342
Interest	<u>21,559</u>
Total investment income	<u>31,901</u>
Total additions	<u>745,308</u>

TOWN OF HIGHLAND, INDIANA
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Statement of Changes in Fiduciary Net Assets (continued):

<u>Deductions</u>	<u>1925 Police Officers' Pension</u>
Benefits	769,684
Administrative expense	582
Total deductions	770,266
Change in net assets	(24,958)
Net assets - beginning	299,251
Net assets - ending	\$ 274,293

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The government contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
 Harrison Building, Room 800
 143 West Market Street
 Indianapolis, IN 46204
 Ph. (317) 233-4162

TOWN OF HIGHLAND, INDIANA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the government is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the government are established by the Board of Trustees of PERF. The government's contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$440,184, \$426,429, and \$400,004, respectively, equal to the required contributions for each year.

TOWN OF HIGHLAND, INDIANA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 2,503,016	\$ 2,833,709	\$ (330,693)	88%	\$ 2,260,372	(15%)
07-01-05	2,611,529	3,255,184	(643,655)	80%	2,285,379	(28%)
07-01-06	2,906,531	3,438,425	(531,894)	85%	2,489,408	(21%)

1925 Police Officers' Pension Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-01	\$ 183,744	\$ 12,405,500	\$ (12,221,756)	1%	\$ 132,300	(9,238%)
01-01-02	522,026	11,345,900	(10,823,874)	5%	90,400	(11,973%)
01-01-03	578,608	10,819,400	(10,240,792)	5%	138,000	(7,421%)
01-01-04	437,080	11,532,700	(11,095,620)	4%	94,200	(11,779%)
01-01-05	503,374	11,417,600	(10,914,226)	4%	97,800	(11,160%)
01-01-06	299,251	11,079,900	(10,780,649)	3%	51,300	(21,015%)

The accompanying notes to required supplementary information are an integral part of the required supplementary information.

TOWN OF HIGHLAND, INDIANA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
		City	State
12-31-00	\$ 1,181,900	11%	24%
12-31-01	1,281,200	16%	31%
12-31-02	1,207,400	17%	36%
12-31-03	1,282,400	11%	23%
12-31-04	1,341,400	20%	27%
12-31-05	830,500	16%	49%

The accompanying notes to required supplementary information are an integral part of the required supplementary information.

TOWN OF HIGHLAND, INDIANA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006

	General Fund				Variance with Final Budget Over (Under)
	Budget Amounts		Actual	Final	
	Original	Final			
Revenues:					
Taxes	\$ 4,648,329	\$ 4,648,329	\$ 5,385,304	\$	716,975
Licenses and permits	206,150	208,150	377,180		171,040
Intergovernmental	598,573	598,573	644,418		45,845
Charges for services	1,350,630	1,350,630	1,527,418		176,788
Fines and forfeits	30,000	30,000	66,188		36,188
Other	86,187	86,187	213,818		127,631
Total revenues	6,919,869	6,919,869	8,194,336		1,274,467
Expenditures:					
Current:					
General government:					
Clerk-Treasurer:					
Personal services	74,481	91,735	89,676		2,059
Supplies	2,300	2,228	2,228		2
Other services and charges	55,550	55,400	46,652		8,748
Town Council:					
Personal services	207,756	184,013	184,117		19,896
Supplies	400	400	178		222
Other services and charges	222,054	280,346	248,087		14,279
Board of Zoning:					
Personal services	3,359	3,359	3,359		-
Supplies	150	150	150		-
Other services and charges	8,580	8,580	3,830		4,750
Building and Inspection:					
Personal services	171,657	175,866	172,778		2,890
Supplies	5,251	10,125	8,755		1,370
Other services and charges	43,653	36,133	29,881		6,252
Capital outlay	-	905	905		-
Plan Commission:					
Personal services	2,842	2,842	2,762		80
Supplies	125	125	125		-
Other services and charges	26,849	26,849	14,809		11,840
Board of Works:					
Other services and charges	682,353	685,047	688,311		26,736
Town Hall Monument:					
Supplies	2,514	2,514	2,497		17
Other services and charges	51,620	47,337	44,715		2,622
Total general government	1,561,294	1,603,554	1,501,791		101,763

The accompanying notes to required supplementary information are an integral part of the required supplementary information.

Continued on next page

TOWN OF HIGHLAND, INDIANA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	General Fund			Variance with Final Budget Over (Under)
	Budget Amounts		Actual	
	Original	Final		
Expenditures (continued):				
Current (continued):				
Public safety:				
Volunteers in Police Service:				
Personal services	3,639	4,639	4,295	344
Supplies	6,800	5,800	5,566	232
Other services and charges	1,811	1,811	1,164	647
Emergency Medical Services:				
Personal services	11,002	9,780	9,438	322
Supplies	6,572	6,205	5,202	1,003
Other services and charges	10,274	4,894	2,676	2,218
Fire Department:				
Personal services	195,108	182,471	180,411	2,060
Supplies	25,910	21,997	19,015	2,882
Other services and charges	63,933	65,040	61,924	3,116
Capital outlay	14,259	3,508	3,058	450
Police Department:				
Personal services	3,232,220	3,211,527	3,204,201	7,328
Supplies	118,000	144,305	142,585	1,720
Other services and charges	691,105	628,749	601,385	25,354
Capital outlay	149,092	145,445	145,445	-
Total public safety	<u>4,529,725</u>	<u>4,434,151</u>	<u>4,388,377</u>	<u>47,774</u>
Sanitation:				
Sanitation and Streets:				
Personal services	275,268	283,028	282,893	135
Supplies	21,193	21,015	20,298	716
Other services and charges	1,125,263	1,307,786	1,232,543	75,223
Total sanitation	<u>1,421,724</u>	<u>1,621,809</u>	<u>1,545,735</u>	<u>76,074</u>
Unappropriated	-	-	50,900	(50,900)
Total expenditures	<u>7,512,743</u>	<u>7,659,514</u>	<u>7,484,803</u>	<u>174,711</u>
Other financing uses:				
Operating transfers out	-	-	(9,592)	(9,592)
Tax anticipation warrants repaid	-	-	(3,500,000)	3,500,000
Total other financing sources (uses)	-	-	(3,509,592)	3,490,408
Net change in fund balance	(592,874)	(739,645)	(2,800,059)	4,590,164
Fund balances - beginning	<u>3,326,922</u>	<u>3,326,922</u>	<u>3,326,922</u>	<u>-</u>
Fund balances - December 31	<u>\$ 2,734,048</u>	<u>\$ 2,587,277</u>	<u>\$ 526,863</u>	<u>\$ 4,590,164</u>

The accompanying notes to required supplementary information are an integral part of the required supplementary information.

Continued on next page

TOWN OF HIGHLAND, INDIANA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULES
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Parks and Recreation				Variance with Final Budget Over (Under)
	Budget Amounts		Actual	Final	
	Original	Final			
Revenues:					
Taxes					
Intergovernmental	\$ 784,112	\$ 784,112	\$ 924,860	\$ 140,748	(3,359)
Charges for services	74,201	74,201	70,842	(3,359)	(94,973)
Other	620,000	620,000	525,027	(94,973)	84,950
	176,100	176,100	261,050	84,950	
Total revenues	<u>1,654,413</u>	<u>1,654,413</u>	<u>1,781,779</u>	<u>127,366</u>	
Expenditures:					
Current:					
Culture and recreation:					
Personal services	810,292	803,335	796,627	6,708	
Supplies	117,818	120,743	120,183	560	
Other services and charges	791,232	836,835	832,540	4,295	
Capital outlay	20,000	20,000	-	20,000	
Total expenditures	<u>1,739,342</u>	<u>1,780,913</u>	<u>1,749,350</u>	<u>31,563</u>	
Other financing sources (uses):					
Operating transfers out	-	-	(10,000)	10,000	
Temporary loans received	-	-	80,000	(80,000)	
Tax anticipation warrants repaid	-	-	(565,000)	565,000	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(495,000)</u>	<u>495,000</u>	
Net change in fund balance	<u>(84,929)</u>	<u>(126,500)</u>	<u>(462,571)</u>	<u>590,803</u>	
Fund balances - beginning	<u>492,219</u>	<u>492,219</u>	<u>492,219</u>	<u>-</u>	
Fund balances - December 31	<u>\$ 407,290</u>	<u>\$ 365,719</u>	<u>\$ 29,648</u>	<u>\$ 590,803</u>	

The accompanying notes to required supplementary information are an integral part of the required supplementary information.

TOWN OF HIGHLAND, INDIANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2006

Note I. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedules:

A. After conferring with the Town Council President and several department heads, the Town Clerk-Treasurer submits to the Town Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

B. Prior to adoption, the Town advertises the budget and the Town Council holds public hearings to obtain taxpayer comments. The Town Council may reduce, but not increase, the budget from the advertised amounts.

C. No later than September 20 of each year, the budget for the next year is approved by the Town Council through the passage of an ordinance.

D. Copies of the budget ordinance and advertisements for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance for their review and approval. The budget becomes legally enacted after the Town Clerk-Treasurer receives approval from the Indiana Department of Local Government Finance. This approval is required by Indiana Statute and ad valorem property tax rates are to be set by February 15 of the year budgeted. The budget ordinance as approved by the Indiana Department of Local Government Finance becomes the Town's expenditures budget. The Town's maximum tax levy is restricted by Indiana Law, with certain adjustments and exceptions. If the advertised budget, for funds for which property taxes are levied or for which highway use taxes are received, exceeds the spending and tax limits of the state control laws, an excess levy can be granted by the Indiana Department of Local Government Finance, upon appeal by the Town.

E. The legal level of budgetary control (the level at which expenditures may not exceed appropriations without the governing body's approval) is by object classification for all funds except for the General Fund, which is by object classification within each department. The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the Town Council. Any revisions that alter the total appropriations for any fund or any department of the General Fund must be approved by the Town Council and, in some instances, by the Indiana Department of Local Government Finance.

F. Formal budgetary integration is required by State statute and is employed as a management control device. An annual budget was legally adopted for the following funds:

Major funds:

General Fund

Special revenue fund:

Parks and Recreation

Capital projects funds:

Park Nonreverting Capital

Redevelopment Capital

Nonmajor funds:

Special revenue funds:

TOWN OF HIGHLAND, INDIANA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 December 31, 2006
 (Continued)

Motor Vehicle Highway, Local Road and Street, Law Enforcement Continuing Education, Innkeepers Tax, Solid Waste Grant Fund, Redevelopment General, Park Nonreverting Operating

Debt service funds:

Corporation Bond and Interest, Parks and Recreation Bond and Interest, Redevelopment Bond and Interest

Capital projects funds:

Cumulative Capital Improvement, Cumulative Capital Development, General Improvement Fund, Municipal Cumulative Street, Gaming Revenue Sharing

G. The Town's budgetary process is based upon cash outflows, which is a Non-GAAP basis. Appropriations lapse with the expiration of the budgetary period unless encumbered by a purchase order or contract. Encumbered appropriations are carried over and added to the subsequent year's budget.

H. Budgeted amounts are as originally adopted, or as amended by the Town Council and approved by the Indiana Department of Local Government Finance in the regular legal manner. The net effect of individual amendments to the budget increased the original appropriations by \$4,359,050 in 2006.

I. Expenditures did not exceed appropriations for any funds or any departments within the General Fund which required legally approved budgets.

Note II. Budgetary to GAAP Reconciliation

The major differences between Budgetary (Non-GAAP) basis and GAAP basis are:

A. Revenues are recorded when received in cash (budgetary) as opposed to susceptible to accrual (GAAP).

B. Expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).

C. Tax anticipation warrants are treated as cash financing sources and uses (budgetary), but are reported only on the balance sheet of the fund statements (GAAP).

	General	Parks and Recreation
Net change in fund balance (budgetary basis)	\$ (2,800,059)	\$ (462,571)
Adjustments:		
To adjust revenues for accruals	(90,956)	(19,613)
To adjust expenditures for accruals	14,804	(71,742)
To adjust for tax anticipation warrants	3,500,000	565,000
Net change in fund balance (GAAP basis)	\$ 623,789	\$ 11,074

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue	Funds which account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specific purposes.
Debt Service	Funds which account for the accumulation of resources for and the payment of long-term debt principal and interest.
Capital Project	Funds which account for the financial resources to be used for the acquisition or construction of major capital facilities and the payment of long-term debt principal, interest, and related costs incurred to acquire or construct major capital facilities (other than those financed by Proprietary Funds).

TOWN OF HIGHLAND, INDIANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

Assets	Nonmajor	Nonmajor	Nonmajor	Totals
	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	
Cash and cash equivalents	\$ 130,728	\$ -	\$ -	\$ 130,728
Receivables (net of allowances for uncollectibles):				
Interest	269	-	-	269
Taxes	18,017	-	-	18,017
Intergovernmental	7,087	-	-	7,087
Restricted assets:				
Cash and cash equivalents	969,066	627,077	2,225,156	3,821,299
Interest receivable	3,103	4,350	8,401	15,854
Taxes receivable	22,390	194,864	25,539	242,793
Intergovernmental receivable	149,650	76,649	46,298	272,597
Special assessments receivable	-	-	16,994	16,994
Total assets	\$ 1,300,310	\$ 902,940	\$ 2,322,388	\$ 4,525,638

Liabilities and Fund Balances

Liabilities:				
Accounts payable	\$ 3,302	\$ -	\$ -	\$ 3,302
Accrued payroll and withholdings payable	1,851	-	-	1,851
Deferred revenue	12,828	-	-	12,828
Payable from restricted assets:				
Accounts payable	17,327	20,462	5,012	42,801
Accrued payroll and withholdings payable	15,106	-	678	15,784
Contracts payable	-	-	80,134	80,134
Deferred revenue	-	61,861	32,477	94,338
Total liabilities	50,414	82,323	118,301	251,038
Fund balances:				
Reserved for:				
Encumbrances	136,241	20,462	251,876	408,579
Unreserved, reported in:				
Special revenue funds	1,113,655	-	-	1,113,655
Capital projects funds	-	-	1,952,211	1,952,211
Debt service funds	-	800,155	-	800,155
Total fund balances	1,249,896	820,617	2,204,087	4,274,600
Total liabilities and fund balances	\$ 1,300,310	\$ 902,940	\$ 2,322,388	\$ 4,525,638

TOWN OF HIGHLAND, INDIANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Debt Service Funds</u>	<u>Nonmajor Capital Projects Funds</u>	<u>Total</u>
Revenues:				
Taxes:				
Property	\$ 296,633	\$ 1,411,768	\$ 197,058	\$ 1,905,459
Special assessments	-	-	64,548	64,548
Licenses and permits	24,710	-	-	24,710
Intergovernmental	1,450,038	109,883	981,765	2,541,686
Charges for services	53,938	-	-	53,938
Fines and forfeits	3,939	-	-	3,939
Other	85,369	18,312	94,338	198,019
	<u>1,914,627</u>	<u>1,539,963</u>	<u>1,337,709</u>	<u>4,792,299</u>
Total revenues				
Expenditures:				
Current:				
Public safety	186,784	-	-	186,784
Highways and streets	1,055,462	-	-	1,055,462
Sanitation	22,098	-	-	22,098
Culture and recreation	77,887	-	-	77,887
Urban redevelopment	153,164	-	-	153,164
Debt service:				
Principal	-	1,084,000	-	1,084,000
Interest	-	226,404	-	226,404
Capital outlay:				
General government	-	-	287,474	287,474
Highways and streets	-	-	422,998	422,998
	<u>1,495,395</u>	<u>1,310,404</u>	<u>710,472</u>	<u>3,516,271</u>
Total expenditures				
Excess of revenues over expenditures	<u>419,232</u>	<u>229,559</u>	<u>627,237</u>	<u>1,276,028</u>
Other financing sources (uses):				
Transfers in	1,000	50,000	-	51,000
Transfers out	(50,000)	-	-	(50,000)
	<u>(49,000)</u>	<u>50,000</u>	<u>-</u>	<u>1,000</u>
Total other financing sources and uses				
Net change in fund balances	<u>370,232</u>	<u>279,559</u>	<u>627,237</u>	<u>1,277,028</u>
Fund balances - beginning	<u>879,664</u>	<u>541,058</u>	<u>1,576,850</u>	<u>2,997,572</u>
Fund balances - ending	<u>\$ 1,249,896</u>	<u>\$ 820,617</u>	<u>\$ 2,204,087</u>	<u>\$ 4,274,600</u>

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NONMAJOR SPECIAL REVENUE FUNDS

- Motor Vehicle Highway -** To account for the construction and maintenance of streets, alleys and the operations of the street maintenance activities of the public works department. Resources are derived from state motor vehicle (gasoline tax) distributions. (Confer IC 8-14-1-5 et seq.)
- Local Road and Street -** To account for the operation and maintenance of the local road and street systems. Resources are derived from state gasoline tax distributions. (Confer IC 8-14-2-5)
- Unsafe Building -** To account for expenditures and resources received for the programs of the Town related to operation and enforcement of the state unsafe building law. Resources are derived from settlements, bonds posted, money received in satisfaction of receivers' notes or money received for payment or settlement of civil penalties. (Confer IC 36-7-9 et seq.).
- Park Donation -** To account for monies provided by private donors for parks and recreation purposes.
- Federal Forfeited and Seized Assets -** To account for expenditures by the Metropolitan Police Department related to drug enforcement and other approved law enforcement purposes. Resources are derived from distributions from the Federal Government of confiscated assets, seized from illegal drug or other unlawful activities, gathered from cooperative law enforcement operations with Federal and law enforcement agencies.
- Law Enforcement Continuing Education -** To account for expenditures related to continuing education of law enforcement officers employed by the Metropolitan Police Department as well as law enforcement equipment and supplies. Resources are derived from special fees collected from enforcement incidents, gun permit applications, accident reports and vehicle inspection. (Confer IC 5-2-8-6; IC 9-29-4-1; IC 9-29-11-1(a); IC 35-47-2-3)
- Hazardous Materials Response -** To account for expenditures related to emergency response activities carried out by the Highland Fire Department in consequence of hazardous materials incidents. Resources may be used for training, equipment and supplies acquisition that are required in consequence of hazardous materials incidents. Resources are derived from fees imposed upon hazardous materials actors, donations, or gifts and from interest earned from lawful investments. (Confer IC 36-8-12.2-8.1 et seq.)
- Innkeepers Tax -** To account for expenditures of the Town related to economic development projects or purposes. Resources are derived from distributions from a county tax imposed upon Inns, Lodges, Hotels and Motels. (Confer IC 6-9-2 et seq.)
- Solid Waste Grant Fund -** To account for expenditures of the Town related to programs of the municipality that are consistent with the terms of the Lake County Solid Waste District Management Twenty-Year Plan, and to support the on-going integrated, community based solid waste management program. Resources are derived from grant distributions from a county solid waste management special taxing district tax. (Confer IC 13-9.5 et seq.)

NONMAJOR SPECIAL REVENUE FUNDS

(Continued)

- Donation -** To account for monies provided by private donors.
- Highway of Flags
Donation -** To account for moneys provided by private donors, including an original gift from the Council for the Encouragement of Patriotism, benefiting the Highway of Flags Veterans' Monument, located on the southeast corner of the intersection of Ridge Road and Indianapolis Boulevard (US Highway 41).
- Fire Department Homeland
Security Grant -** To account for expenditures related to special enhanced training and acquisition of emergency equipment under the aegis of the municipal Fire Department according to the terms of a special grant awarded for this particular purpose. Resources are derived from a special grant awarded by the Federal Emergency Management Agency of the United States Homeland Security Department.
- Shared Ethics Initiative Fund -** To account for expenditures and resources received in consequence of an interlocal cooperation agreement between several municipalities to support cooperative activities, training and instruction related to ethics and standards for elected and appointed officers as well as employees. Resources are derived from participating municipalities' annual fees, special charges that may be fixed from time to time, and interest earned on fund balance.
- Traffic and Children
Safety Grant Fund -** To account for expenditures related to special safety programs and activities carried out by the Metropolitan Police Department involving installation of child safety seats, special traffic enforcement initiatives involving seat belt law compliance to operating without impairment and pedestrian safety initiatives. Resources for this fund are derived from grants, awards or prizes that are given in support and in consequence of law enforcement efforts or programs for traffic control, traffic safety, child safety, pedestrian safety, passenger safety and related programs; or that are given in support and in consequence of law enforcement efforts for sobriety enforcement, provided such moneys are not required to be accounted for in another fund; or that are given in support and consequence of law enforcement efforts under such programs as the Indiana Automotive Safety Program, the Safe Kids Project and which support the establishment of Car Seat Fitting Station; and from investment yields.
- Law Enforcement
Block Grant -** To account for expenditures by the Metropolitan Police Department related to law enforcement and implementation of Bicycle Police Patrols. Resources are derived from distributions from a United States Department of Justice Local Law Enforcement Block Grant.
- Redevelopment General -** To account for the operation and redevelopment activities of the Department of Redevelopment and the Redevelopment Commission. Resources are derived from a specific annual property tax levy and miscellaneous revenues. (Confer IC 36-7-14 et seq.)

NONMAJOR SPECIAL REVENUE FUNDS

(Continued)

- Park Nonreverting Operating -** To account for expenditures and resources received in support of special events and community activities not otherwise accounted for in the Park and Recreation Fund, and established pursuant to Indiana Code 36-10-3-22. Resources are derived from special user fees and charges authorized by the Park and Recreation Board.
- Safe Neighborhood Grant -** To account for expenditures related to special safety programs and activities carried out by the Metropolitan Police Department that support and extend safe neighborhoods according to the terms of a special grant awarded for these particular purposes. Resources are derived from a special grant awarded by the United States Department of Justice through the Indiana Criminal Justice Institute.
- Fire Computer Grant Fund -** To account for expenditures related to the purchase of computer equipment and software carried out by the Fire Department according to the terms of a special grant awarded for this particular purpose. Resources are derived from a special grant award.

TOWN OF HIGHLAND, INDIANA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2006

Assets	Motor Vehicle Highway	Local Road and Street	Unsafe Building	Park Donation	Federal Forfeited and Seized Assets	Law Enforcement Continuing Education	Hazardous Materials Response
Cash and cash equivalents	-	-	-	6,810	-	-	-
Receivables (net of allowances for uncollectibles):							
Interest	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Restricted assets:							
Cash and cash equivalents	498,320	151,981	2,457	-	46,358	25,541	2,937
Interest receivable	1,726	534	-	-	196	57	-
Taxes receivable	22,390	-	-	-	-	-	-
Intergovernmental receivable	97,694	44,032	-	-	-	936	-
Total assets	621,130	196,547	2,457	6,810	46,554	26,534	2,937
Liabilities and Fund Balances:							
Liabilities:							
Accounts payable	-	-	-	-	-	-	-
Accrued payroll and withholdings payable	-	-	-	-	-	-	-
Deferred revenue	7,108	-	-	-	-	-	-
Payable from restricted assets:							
Accounts payable	13,963	1,800	-	-	163	202	-
Accrued payroll and withholdings payable	15,106	-	-	-	-	-	-
Total liabilities	36,177	1,800	-	-	163	202	-
Fund balances:							
Reserved for:							
Encumbrances	16,978	7,885	-	-	-	1,415	-
Unreserved, reported in:							
Special revenue funds	567,975	187,062	2,457	6,810	46,391	24,917	2,937
Total fund balances	584,953	194,747	2,457	6,810	46,391	26,332	2,937
Total liabilities and fund balances	621,130	196,547	2,457	6,810	46,554	26,534	2,937

Continued on next page

TOWN OF HIGHLAND, INDIANA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 December 31, 2006
 (Continued)

Assets	Innkeepers Tax	Solid Waste Grant Fund	Donation	Highway of Flags Donation	File		Traffic and Children Safety Grant Fund
					Department Homeland Security Grant	Shared Ethics Initiative Fund	
Cash and cash equivalents	\$ -	\$ -	\$ 23,843	\$ 23,620	\$ -	\$ 4,500	\$ -
Receivables (net of allowances for uncollectibles):							
Interest	-	-	-	95	-	-	-
Taxes	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Restricted assets:							
Cash and cash equivalents	7,985	224,100	-	-	22	-	3,930
Interest receivable	9	581	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-	-
Intergovernmental receivable	-	6,988	-	-	-	-	-
Total assets	\$ 7,994	\$ 231,669	\$ 23,843	\$ 23,715	\$ 22	\$ 4,500	\$ 3,930
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and withholdings payable	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Payable from restricted assets:							
Accounts payable	-	-	-	-	-	-	-
Accrued payroll and withholdings payable	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-
Fund balances:							
Reserved for:							
Encumbrances	-	94,728	-	-	-	-	-
Unreserved, reported in:							
Special revenue funds	7,994	136,941	23,843	23,715	22	4,500	3,930
Total fund balances	7,994	231,669	23,843	23,715	22	4,500	3,930
Total liabilities and fund balances	\$ 7,994	\$ 231,669	\$ 23,843	\$ 23,715	\$ 22	\$ 4,500	\$ 3,930

Continued on next page

TOWN OF HIGHLAND, INDIANA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 December 31, 2006
 (Continued)

Assets	Law	Redevelopment	Park	Safe	Fire	Totals
	Enforcement Block Grant	General	Nonreverting Operating	Neighborhood Grant	Computer Grant Fund	
Cash and cash equivalents	-	65,798	6,157	-	-	130,728
Receivables (net of allowances for uncollectibles):						
Interest	-	152	22	-	-	269
Taxes	-	18,017	-	-	-	18,017
Intergovernmental	-	7,087	-	-	-	7,087
Restricted assets:						
Cash and cash equivalents	272	-	-	4,162	1	969,066
Interest receivable	-	-	-	-	-	3,103
Taxes receivable	-	-	-	-	-	22,390
Intergovernmental receivable	-	-	-	-	-	149,650
Total assets	272	91,054	6,179	4,162	1	1,300,310
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	-	1,782	1,520	-	-	3,302
Accrued payroll and withholdings payable	-	1,851	-	-	-	1,851
Deferred revenue	-	5,720	-	-	-	12,828
Payable from restricted assets:						
Accounts payable	-	-	-	1,199	-	17,327
Accrued payroll and withholdings payable	-	-	-	-	-	15,106
Total liabilities	-	9,353	1,520	1,199	-	50,414
Fund balances:						
Reserved for:						
Encumbrances	-	13,745	1,690	-	-	136,241
Unreserved, reported in:						
Special revenue funds	272	67,956	2,969	2,963	1	1,113,655
Total fund balances	272	81,701	4,659	2,963	1	1,249,896
Total liabilities and fund balances	272	91,054	6,179	4,162	1	1,300,310

TOWN OF HIGHLAND, INDIANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006

	Motor Vehicle Highway	Local Road and Street	Unsafe Building	Park Donation	Federal Forfeited and Seized Assets	Law Enforcement Continuing Education	Hazardous Materials Response
Revenues:							
Taxes:							
Property	\$ 165,637	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	5,210	-
Intergovernmental	906,835	261,172	-	-	-	-	-
Charges for services	-	550	-	-	-	20,915	2,463
Fines and forfeits	-	-	-	-	-	3,939	-
Other	30,036	6,749	-	7,662	3,458	662	-
Total revenues	1,102,508	268,471	-	7,662	3,458	30,726	2,463
Expenditures:							
Current:							
Public safety	-	-	-	-	60,289	19,813	-
Highways and streets	861,700	193,762	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	5,910	-	-	-
Urban redevelopment	-	-	-	-	-	-	-
Total expenditures	861,700	193,762	-	5,910	60,289	19,813	-
Excess (deficiency) of revenues over (under) expenditures	240,808	74,709	-	1,752	(56,831)	10,913	2,463
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(60,000)	-	-	-	-	-
Total other financing sources and uses	-	(60,000)	-	-	-	-	-
Net change in fund balances	240,808	24,709	-	1,752	(56,831)	10,913	2,463
Fund balances - beginning	344,145	170,038	2,457	5,058	103,222	15,419	474
Fund balances - ending	\$ 584,953	\$ 194,747	\$ 2,457	\$ 6,810	\$ 46,391	\$ 26,332	\$ 2,937

Continued on next page

TOWN OF HIGHLAND, INDIANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2006
(Continued)

	Innkeepers Tax	Solid Waste Grant Fund	Donation	Highway of Flags Donation	Fire Department Homeland Security Grant	Shared Ethics Initiative Fund	Traffic and Children Safety Grant Fund
Revenues:							
Taxes:							
Property	-	-	\$ -	1,091	-	\$ -	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	5,400	246,199	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	311	581	23,222	-	-	4,500	-
Total revenues	5,711	246,780	23,222	1,091	-	4,500	-
Expenditures:							
Current:							
Public safety	-	-	28,236	-	253	-	469
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	22,098	-	-	-	-	-
Culture and recreation	14,249	-	-	-	-	-	-
Urban redevelopment	-	-	-	-	-	-	-
Total expenditures	14,249	22,098	28,236	-	253	-	469
Excess (deficiency) of revenues over (under) expenditures	(8,538)	224,682	(5,014)	1,091	(253)	4,500	(469)
Other financing sources (uses):							
Transfers in	-	-	-	1,000	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	1,000	-	-	-
Net change in fund balances	(8,538)	224,682	(5,014)	2,091	(253)	4,500	(469)
Fund balances - beginning	16,532	6,987	28,857	21,624	275	-	4,399
Fund balances - ending	7,994	231,669	23,843	23,715	22	4,500	3,930

Continued on next page

TOWN OF HIGHLAND, INDIANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2006
(Continued)

	Law Enforcement Block Grant	Redevelopment General	Park Nonreverting Operating	Safe Neighborhood Grant	Fire Computer Grant Fund	Total
Revenues:						
Taxes:						
Property	-	\$ 129,905	\$ -	\$ -	\$ -	\$ 296,633
Licenses and permits	-	-	19,500	-	-	24,710
Intergovernmental	10,272	10,160	-	10,000	-	1,450,038
Charges for services	-	-	30,010	-	-	53,938
Fines and forfeits	-	-	-	-	-	3,939
Other	-	6,066	1,964	158	-	85,369
Total revenues	<u>10,272</u>	<u>146,131</u>	<u>51,474</u>	<u>10,158</u>	-	<u>1,914,627</u>
Expenditures:						
Current:						
Public safety	10,000	-	-	67,724	-	186,784
Highways and streets	-	-	-	-	-	1,055,462
Sanitation	-	-	-	-	-	22,098
Culture and recreation	-	-	57,728	-	-	77,887
Urban redevelopment	-	153,164	-	-	-	153,164
Total expenditures	<u>10,000</u>	<u>153,164</u>	<u>57,728</u>	<u>67,724</u>	-	<u>1,495,395</u>
Excess (deficiency) of revenues over (under) expenditures	<u>272</u>	<u>(7,033)</u>	<u>(6,254)</u>	<u>(57,566)</u>	-	<u>419,232</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	1,000
Transfers out	-	-	-	-	-	(50,000)
Total other financing sources and uses	-	-	-	-	-	(49,000)
Net change in fund balances	<u>272</u>	<u>(7,033)</u>	<u>(6,254)</u>	<u>(57,566)</u>	-	<u>370,232</u>
Fund balances - beginning	-	<u>88,734</u>	<u>10,913</u>	<u>60,529</u>	<u>1</u>	<u>879,664</u>
Fund balances - ending	<u>\$ 272</u>	<u>\$ 81,701</u>	<u>\$ 4,659</u>	<u>\$ 2,963</u>	<u>\$ 1</u>	<u>\$ 1,249,896</u>

TOWN OF HIGHLAND, INDIANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS - MOTOR VEHICLE HIGHWAY
 For The Year Ended December 31, 2006

	Budget Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 150,249	\$ 150,249	\$ 160,599	\$ 10,350
Intergovernmental	814,167	814,167	899,641	85,474
Other	1,500	1,500	28,991	27,491
Total revenues	965,916	965,916	1,089,231	123,315
Expenditures:				
Current:				
Highways and streets:				
Personal services	438,451	438,934	341,400	97,534
Supplies	188,310	188,930	186,841	2,089
Other services and charges	127,315	369,152	347,983	21,169
Capital Outlay	-	52,039	51,552	487
Total expenditures	756,076	1,049,055	927,776	121,279
Net change in fund balance	209,840	(83,139)	161,455	2,036
Fund balances - beginning	337,865	337,865	337,865	-
Fund balances - December 31	\$ 547,705	\$ 254,726	\$ 499,320	\$ 2,036
Budget/GAAP Reconciliation				
Net change in fund balance, budgetary basis			\$ 161,455	
To adjust revenues for accruals			66,076	
To adjust expenditures for accruals			13,277	
Net change in fund balance, GAAP basis			\$ 240,808	

TOWN OF HIGHLAND, INDIANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS - LOCAL ROAD AND STREET
 For The Year Ended December 31, 2006

	Budget Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 244,955	\$ 244,955	\$ 260,329	\$ 15,374
Other	1,200	1,200	7,040	5,840
Total revenues	<u>246,155</u>	<u>246,155</u>	<u>267,369</u>	<u>21,214</u>
Expenditures:				
Current:				
Highways and streets:				
Personal services	66,854	66,854	66,751	103
Other services and charges	206,600	198,915	175,211	23,704
Total expenditures	<u>273,454</u>	<u>265,769</u>	<u>241,962</u>	<u>23,807</u>
Net change in fund balance	<u>(27,299)</u>	<u>(19,614)</u>	<u>25,407</u>	<u>(2,593)</u>
Fund balances - beginning	<u>126,574</u>	<u>126,574</u>	<u>126,574</u>	<u>-</u>
Fund balances - December 31	<u>\$ 99,275</u>	<u>\$ 106,960</u>	<u>\$ 151,981</u>	<u>\$ (2,593)</u>
Budget/GAAP Reconciliation				
Net change in fund balance, budgetary basis			\$ 25,407	
To adjust revenues for accruals			(1,800)	
To adjust expenditures for accruals			1,102	
Net change in fund balance, GAAP basis			<u>\$ 24,709</u>	

TOWN OF HIGHLAND, INDIANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS - LAW ENFORCEMENT CONTINUING EDUCATION
 For The Year Ended December 31, 2006

	Budget Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Licenses and permits	\$ 2,100	\$ 2,100	\$ 5,210	\$ 3,110
Intergovernmental	13,274	13,274	20,915	7,641
Charges for services	2,000	2,000	3,645	1,645
Other	200	200	650	450
Total revenues	17,574	17,574	30,420	12,846
Expenditures:				
Current:				
Public safety:				
Supplies	6,800	6,800	6,508	292
Other services and charges	17,613	16,198	13,173	3,025
Total expenditures	24,413	22,998	19,681	3,317
Net change in fund balance	(6,839)	(5,424)	10,739	9,529
Fund balances - beginning	14,802	14,802	14,802	-
Fund balances - December 31	\$ 7,963	\$ 9,378	\$ 25,541	\$ 9,529
Budget/GAAP Reconciliation				
Net change in fund balance, budgetary basis			\$ 10,739	
To adjust revenues for accruals			(132)	
To adjust expenditures for accruals			306	
Net change in fund balance, GAAP basis			\$ 10,913	

TOWN OF HIGHLAND, INDIANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS - INNKEEPERS TAX
 For The Year Ended December 31, 2006

	Budget Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 5,400	\$ 5,400	\$ 5,400	\$ -
Other	-	-	347	347
Total revenues	<u>5,400</u>	<u>5,400</u>	<u>5,747</u>	<u>347</u>
Expenditures:				
Current:				
Culture and recreation:				
Supplies	-	4,800	2,949	1,851
Other services and charges	-	9,500	9,000	500
Capital outlay	-	2,300	2,300	-
Total expenditures	<u>-</u>	<u>16,600</u>	<u>14,249</u>	<u>2,351</u>
Net change in fund balance	<u>5,400</u>	<u>(11,200)</u>	<u>(8,502)</u>	<u>(2,004)</u>
Fund balances - beginning	<u>16,487</u>	<u>16,487</u>	<u>16,487</u>	<u>-</u>
Fund balances - December 31	<u>\$ 21,887</u>	<u>\$ 5,287</u>	<u>\$ 7,985</u>	<u>\$ (2,004)</u>
Budget/GAAP Reconciliation				
Net change in fund balance, budgetary basis			\$ (8,502)	
To adjust revenues for accruals			<u>(36)</u>	
Net change in fund balance, GAAP basis			<u>\$ (8,538)</u>	

TOWN OF HIGHLAND, INDIANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS - SOLID WASTE GRANT FUND
 For The Year Ended December 31, 2006

	Budget Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 119,204	\$ 119,204	\$ 246,198	\$ 126,994
Other	200	200	-	(200)
Total revenues	<u>119,404</u>	<u>119,404</u>	<u>246,198</u>	<u>126,794</u>
Expenditures:				
Current:				
Sanitation:				
Supplies	10,000	10,000	5,676	4,324
Other services and charges	88,940	6,712	6,712	-
Capital outlay	-	9,710	9,710	-
Total expenditures	<u>98,940</u>	<u>26,422</u>	<u>22,098</u>	<u>4,324</u>
Net change in fund balance	20,464	92,982	224,100	122,470
Fund balances - beginning	-	-	-	-
Fund balances - December 31	<u>\$ 20,464</u>	<u>\$ 92,982</u>	<u>\$ 224,100</u>	<u>\$ 122,470</u>
Budget/GAAP Reconciliation				
Net change in fund balance, budgetary basis			\$ 224,100	
To adjust revenues for accruals			582	
Net change in fund balance, GAAP basis			<u>\$ 224,682</u>	

TOWN OF HIGHLAND, INDIANA
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - REDEVELOPMENT GENERAL
For The Year Ended December 31, 2006

	Budget Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 120,904	\$ 120,904	\$ 122,807	\$ 1,903
Intergovernmental	11,441	11,441	7,585	(3,856)
Other	1,000	1,000	6,358	5,358
Total revenues	<u>133,345</u>	<u>133,345</u>	<u>196,750</u>	<u>3,405</u>
Expenditures:				
Current:				
Urban redevelopment:				
Personal services	55,557	55,687	54,533	1,154
Supplies	600	706	706	-
Other services and charges	128,782	123,943	96,223	27,720
Total expenditures	<u>184,939</u>	<u>180,336</u>	<u>151,462</u>	<u>28,874</u>
Net change in fund balance	<u>(51,594)</u>	<u>(46,991)</u>	<u>(14,712)</u>	<u>(25,469)</u>
Fund balances - beginning	80,510	80,510	80,510	-
Fund balances - December 31	<u>\$ 28,916</u>	<u>\$ 33,519</u>	<u>\$ 65,798</u>	<u>\$ (25,469)</u>
Budget/GAAP Reconciliation				
Net change in fund balance, budgetary basis			\$ (14,712)	
To adjust revenues for accruals			9,381	
To adjust expenditures for accruals			(1,702)	
Net change in fund balance, GAAP basis			<u>\$ (7,033)</u>	

TOWN OF HIGHLAND, INDIANA
**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS - PARK NONREVERTING OPERATING**
 For The Year Ended December 31, 2006

	Budget Amounts			Actual	Variance with Final Budget Over (Under)
	Original	Final			
Revenues:					
Licenses and permits	\$ 15,500	\$ 15,500	\$	19,500	4,000
Charges for services	30,500	30,500		30,010	(490)
Other	500	500		1,979	1,479
Total revenues	46,500	46,500		51,489	4,989
Expenditures:					
Current:					
Culture and recreation:					
Supplies	-	775		734	41
Other services and charges	150	56,560		55,474	1,086
Total expenditures	150	57,335		56,208	1,127
Net change in fund balance	46,350	(10,835)		(4,719)	3,862
Fund balances - beginning	10,876	10,876		10,876	-
Fund balances - December 31	\$ 57,226	\$ 41		\$ 6,157	\$ 3,862
Budget/GAAP Reconciliation					
Net change in fund balance, budgetary basis			\$	(4,719)	
To adjust revenues for accruals				(15)	
To adjust expenditures for accruals				(1,520)	
Net change in fund balance, GAAP basis			\$	(6,254)	

NONMAJOR DEBT SERVICE FUNDS

Corporation Bond and Interest - To account for the accumulation of resources for, and the payment of general long-term debt of the Town. Resources are derived from an annual tax levy. Property Tax levy in excess of actual requirements is legally restricted to servicing the debt. (Confer IC 35-5-2-11; IC 6-1.1-20)

Parks and Recreation Bond and Interest - To account for the accumulation of resources for and payment of the general long-term debt of Park Special Taxing District. Resources are derived from an annual tax levy. Property Tax levy in excess of actual requirements is legally restricted to servicing the debt. (Confer IC 36-10-3-27; IC 6-1.1-20)

Redevelopment Bond and Interest - To account for the accumulation of resources for and payment of general long-term debt of the Redevelopment District undertaken in support of redevelopment projects. Resources are derived from an annual tax levy. Property tax in excess of annual requirements is legally restricted to servicing the debt. (Confer IC 36-1-10 et seq.; IC 6-1.1-20)

TOWN OF HIGHLAND, INDIANA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 December 31, 2006

<u>Assets</u>	Corporation Bond and Interest	Parks and Recreation Bond- and Interest	Redevelopment Bond and Interest	Totals
<u>Restricted assets:</u>				
Cash and cash equivalents	\$ 232,903	\$ 133,699	\$ 260,475	\$ 627,077
Interest receivable	947	1,589	1,814	4,350
Taxes receivable	46,005	101,630	47,229	194,864
Intergovernmental receivable	18,096	39,976	18,577	76,649
Total assets	\$ 297,951	\$ 276,894	\$ 328,095	\$ 902,940
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Payable from restricted assets:				
Accounts payable	-	20,462	-	20,462
Deferred revenue	14,605	32,263	14,993	61,861
Total liabilities	14,605	52,725	14,993	82,323
<u>Fund balances:</u>				
Reserved for:				
Encumbrances	-	20,462	-	20,462
Unreserved, reported in:				
Debt service funds	283,346	203,707	313,102	800,155
Total fund balances	283,346	224,169	313,102	820,617
Total liabilities and fund balances	\$ 297,951	\$ 276,894	\$ 328,095	\$ 902,940

TOWN OF HIGHLAND, INDIANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For The Year Ended December 31, 2006

	Corporation Bond and Interest	Parks and Recreation Bond and Interest	Redevelopment Bond and Interest	Totals
Revenues:				
Taxes:				
Property	\$ 333,927	\$ 697,512	\$ 380,329	\$ 1,411,768
Intergovernmental	25,942	57,309	26,632	109,883
Other	<u>3,727</u>	<u>3,615</u>	<u>10,970</u>	<u>18,312</u>
Total revenues	<u>363,596</u>	<u>758,436</u>	<u>417,931</u>	<u>1,539,963</u>
Expenditures:				
Debt service:				
Principal	254,000	415,000	415,000	1,084,000
Interest	<u>60,402</u>	<u>111,375</u>	<u>54,627</u>	<u>226,404</u>
Total expenditures	<u>314,402</u>	<u>526,375</u>	<u>469,627</u>	<u>1,310,404</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49,194</u>	<u>232,061</u>	<u>(51,696)</u>	<u>229,559</u>
Other financing sources:				
Transfers in	50,000	-	-	50,000
Total other financing sources and uses	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Net change in fund balances	<u>99,194</u>	<u>232,061</u>	<u>(51,696)</u>	<u>279,559</u>
Fund balances - beginning	<u>184,152</u>	<u>(7,892)</u>	<u>364,798</u>	<u>541,058</u>
Fund balances - ending	<u>\$ 283,346</u>	<u>\$ 224,169</u>	<u>\$ 313,102</u>	<u>\$ 820,617</u>

TOWN OF HIGHLAND, INDIANA
**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 DEBT SERVICE FUNDS - CORPORATION BOND AND INTEREST**
 For The Year Ended December 31, 2006

	Budget Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 308,715	\$ 308,715	\$ 317,808	\$ 9,093
Intergovernmental	29,214	29,214	20,082	(9,132)
Other	-	-	3,233	3,233
Total revenues	337,929	337,929	341,123	3,194
Expenditures:				
Debt service:				
Principal	254,000	254,000	254,000	-
Interest and fiscal agent fees	60,402	60,402	60,402	-
Total expenditures	314,402	314,402	314,402	-
Other financing sources (uses):				
Transfers in	50,000	50,000	50,000	-
Tax anticipation warrants repaid	-	-	(110,000)	110,000
Total other financing sources (uses)	50,000	50,000	(60,000)	110,000
Net change in fund balance	73,527	73,527	(33,279)	113,194
Fund balances - beginning	266,182	266,182	266,182	-
Fund balances - December 31	\$ 339,709	\$ 339,709	\$ 232,903	\$ 113,194
Budget/GAAP Reconciliation				
Net change in fund balance, budgetary basis			\$ (33,279)	
To adjust revenues for accruals			22,473	
To adjust for tax anticipation warrants payable			110,000	
Net change in fund balance, GAAP basis			\$ 99,194	

TOWN OF HIGHLAND, INDIANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 DEBT SERVICE FUNDS - PARKS AND RECREATION BOND AND INTEREST
 For The Year Ended December 31, 2006

	Budget Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 681,990	\$ 681,990	\$ 625,723	\$ (56,267)
Intergovernmental	64,537	64,537	31,490	(33,047)
Other	300	300	2,793	2,493
Total revenues	746,827	746,827	660,006	(86,821)
Expenditures:				
Debt service:				
Principal	250,000	250,000	250,000	-
Interest and fiscal agent fees	276,375	255,913	255,913	-
Total expenditures	526,375	505,913	505,913	-
Other financing uses:				
Tax anticipation warrants repaid	-	-	(500,000)	500,000
Total other financing uses	-	-	(500,000)	500,000
Net change in fund balance	220,452	240,914	(345,907)	413,179
Fund balances - beginning	479,606	479,606	479,606	-
Fund balances - December 31	\$ 700,058	\$ 720,520	\$ 133,699	\$ 413,179
Budget/GAAP Reconciliation				
Net change in fund balance, budgetary basis			\$ (345,907)	
To adjust revenues for accruals			98,430	
To adjust expenditures for accruals			(20,462)	
To adjust for tax anticipation warrants payable			500,000	
Net change in fund balance, GAAP basis			\$ 232,061	

TOWN OF HIGHLAND, INDIANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 DEBT SERVICE FUNDS - REDEVELOPMENT BOND AND INTEREST
 For The Year Ended December 31, 2006

	Budget Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 316,932	\$ 316,932	\$ 397,563	\$ 80,631
Intergovernmental	29,991	29,991	32,637	2,646
Other	-	-	9,899	9,899
Total revenues	346,923	346,923	440,099	93,176
Expenditures:				
Debt service:				
Principal	415,000	415,000	415,000	-
Interest and fiscal agent fees	55,228	55,228	54,627	601
Total expenditures	470,228	470,228	469,627	601
Other financing uses:				
Tax anticipation warrants repaid	-	-	(300,000)	300,000
Total other financing uses	-	-	(300,000)	300,000
Net change in fund balance	(123,305)	(123,305)	(329,528)	392,575
Fund balances - beginning	590,003	590,003	590,003	-
Fund balances - December 31	\$ 466,698	\$ 466,698	\$ 260,475	\$ 392,575
Budget/GAAP Reconciliation				
Net change in fund balance, budgetary basis			\$ (329,528)	
To adjust revenues for accruals			(22,168)	
To adjust for tax anticipation warrants payable			300,000	
Net change in fund balance, GAAP basis			\$ (51,696)	

NONMAJOR CAPITAL PROJECT FUNDS

Cumulative Capital Improvement -	To account for financial resources related to improvement projects or the payment of debt incurred for improvements to the Town. Resources are derived from state cigarette tax distributions. (Confer IC 6-7-1-31.1)
Cumulative Capital Development -	To account for expenditures related to capital improvements and leases of public safety equipment or vehicles. Resources are derived from a specific tax levy.
Local Major Moves -	To account for expenditures and resources related to certain infrastructure and capital improvement projects of the municipality, which may include street and highway resurfacing or reconstruction, bridge construction, and making contributions to the Regional Development Authority. Authorized under Indiana Code 8-14-16, resources are derived from a one-time, state distribution of proceeds, granted only to units in seven northern counties, in consequence of a long term-lease of its Toll Road (I-90) and interest earned on fund balance.
General Improvement Fund -	To account for financial resources related to infrastructure improvements, including sidewalks, gutters, and curbs, specifically identified for and made in an established General Improvement District. Resources for this fund are derived from assessments paid by property holders in the district whose property is specifically found to be benefited from the improvements. Authority for the fund comes from the provisions of IC 36-9-17 et seq.
Municipal Cumulative Street -	To account for expenditures and resources related to the acquisition of rights-of-way for public ways or sidewalks, or the construction or reconstruction of public ways or sidewalks. Resources are derived from municipal and miscellaneous revenues. (Confer IC 36-9-16.5-2)

NONMAJOR CAPITAL PROJECT FUNDS

(Continued)

Gaming Revenue Sharing -

To account for financial resources related to expenditures for infrastructure improvements. Resources for this fund are derived under a revenue sharing agreement executed between and among the Government of Lake County and several municipalities in the county in which a share of the County's revenue collected from a gaming boat admissions' tax is allocated and distributed on a pro-rata basis to non-gaming communities. Authority for this fund comes from an Ordinance of the Lake County Council as adopted by the Lake County Commissioners and a companion ordinance of the Town of Highland, all enacted under provisions of Indiana Code 36-1-3 et seq., and Indiana Code 36-1-7 et seq.

Corporation Capital -

To account for expenditures and resources received in consequence certain capital improvement projects of the municipality, which may include street and highway resurfacing or reconstruction. Resources are derived from the sale proceeds of general obligation bonds of the corporation and interest earned on fund balance.

TOWN OF HIGHLAND, INDIANA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 December 31, 2006

Assets	Cumulative Capital Improvement	Cumulative Capital Development	Local Major Moves	General Improvement Fund	Municipal Cumulative Street
Restricted assets:					
Cash and cash equivalents	\$ 158,294	\$ 714,880	\$ 564,532	\$ 149,424	\$ 26,646
Interest receivable	508	2,534	2,278	551	-
Taxes receivable	-	25,539	-	-	-
Intergovernmental receivable	7,375	10,045	-	-	-
Special assessments receivable	-	-	-	16,994	-
Total assets	\$ 167,177	\$ 753,008	\$ 566,810	\$ 166,969	\$ 26,646

Liabilities and Fund Balances

Liabilities:					
Payable from restricted assets:					
Accounts payable	-	5,012	-	-	-
Accrued payroll and withholdings payable	-	678	-	-	-
Contracts payable	10,732	-	-	7,637	-
Deferred revenue	7,375	8,108	-	16,994	-
Total liabilities	18,107	13,798	-	24,631	-
Fund balances:					
Reserved for:					
Encumbrances	-	5,753	-	8,486	-
Unreserved, reported in:					
Capital projects funds	149,070	733,457	566,810	133,852	26,646
Total fund balances	149,070	739,210	566,810	142,338	26,646
Total liabilities and fund balances	\$ 167,177	\$ 753,008	\$ 566,810	\$ 166,969	\$ 26,646

Continued on next page

TOWN OF HIGHLAND, INDIANA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 December 31, 2006
 (Continued)

Assets	Gaming Revenue Sharing	Corporation Capital	Totals
Restricted assets:			
Cash and cash equivalents	\$ 585,521	\$ 24,849	\$ 2,225,156
Interest receivable	2,445	85	8,401
Taxes receivable	-	-	25,539
Intergovernmental receivable	28,878	-	46,298
Special assessments receivable	-	-	16,994
Total assets	\$ 616,844	\$ 24,934	\$ 2,322,388
Liabilities and Fund Balances			
Liabilities:			
Payable from restricted assets:			
Accounts payable	-	-	5,012
Accrued payroll and withholdings payable	-	-	678
Contracts payable	61,765	-	80,134
Deferred revenue	-	-	32,477
Total liabilities	61,765	-	118,301
Fund balances:			
Reserved for:			
Encumbrances	237,637	-	251,876
Unreserved, reported in:			
Capital projects funds	317,442	24,934	1,952,211
Total fund balances	555,079	24,934	2,204,087
Total liabilities and fund balances	\$ 616,844	\$ 24,934	\$ 2,322,388

TOWN OF HIGHLAND, INDIANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
 For The Year Ended December 31, 2006

	Cumulative Capital Improvement	Cumulative Capital Development	Local Major Moves	General Improvement Fund	Municipal Cumulative Street
Revenues:					
Taxes:					
Property	\$ -	\$ 197,058	\$ -	\$ -	\$ -
Special assessments	-	-	-	64,548	-
Intergovernmental	84,118	14,400	559,908	-	-
Other	6,585	31,063	6,902	6,002	17,449
Total revenues	90,703	242,521	566,810	70,550	17,449
Expenditures:					
Capital outlay:					
General government	73,280	214,194	-	-	-
Highways and streets	-	-	-	10,260	17,841
Total expenditures	73,280	214,194	-	10,260	17,841
Excess (deficiency) of revenues over (under) expenditures	17,423	28,327	566,810	60,290	(392)
Net change in fund balances	17,423	28,327	566,810	60,290	(392)
Fund balances - beginning	131,647	710,883	-	82,048	27,038
Fund balances - ending	\$ 149,070	\$ 739,210	\$ 566,810	\$ 142,338	\$ 26,646

Continued on next page

TOWN OF HIGHLAND, INDIANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For The Year Ended December 31, 2006
(Continued)

	Gaming Revenue Sharing	Corporation Capital	Totals
Revenues:			
Taxes:			
Property	-	-	\$ 197,058
Special assessments	-	-	64,548
Intergovernmental	323,339	-	981,765
Other	18,043	8,294	94,338
Total revenues	<u>341,382</u>	<u>8,294</u>	<u>1,337,709</u>
Expenditures:			
Capital outlay:			
General government	-	-	287,474
Highways and streets	145,430	249,467	422,998
Total expenditures	<u>145,430</u>	<u>249,467</u>	<u>710,472</u>
Excess (deficiency) of revenues over (under) expenditures	<u>195,952</u>	<u>(241,173)</u>	<u>627,237</u>
Net change in fund balances	<u>195,952</u>	<u>(241,173)</u>	<u>627,237</u>
Fund balances - beginning	<u>359,127</u>	<u>266,107</u>	<u>1,576,850</u>
Fund balances - ending	<u>\$ 555,079</u>	<u>\$ 24,934</u>	<u>\$ 2,204,087</u>

TOWN OF HIGHLAND, INDIANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - MAJOR AND NON-MAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS - CUMULATIVE CAPITAL IMPROVEMENT
 For The Year Ended December 31, 2008

	Budget Amounts			Actual	Variance with Final Budget Over (Under)
	Original	Final			
Revenues:					
Intergovernmental	\$ 81,940	\$ 81,940	\$	84,118	\$ 2,178
Other	-	-		6,334	6,334
Total revenues	81,940	81,940		90,452	8,512
Expenditures:					
Capital outlay:					
General government:					
Other services and charges	81,940	81,940		62,548	19,392
Net change in fund balance	-	-		27,904	(10,880)
Fund balances - beginning	131,390	131,390		131,390	-
Fund balances - December 31	\$ 131,390	\$ 131,390	\$	\$ 159,294	\$ (10,880)
Budget/GAAP Reconciliation					
Net change in fund balance, budgetary basis			\$	27,904	
To adjust revenues for accruals				251	
To adjust expenditures for accruals				(10,732)	
Net change in fund balance, GAAP basis			\$	17,423	

TOWN OF HIGHLAND, INDIANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - MAJOR AND NON-MAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS - CUMULATIVE CAPITAL DEVELOPMENT
 For The Year Ended December 31, 2006

	Budget Amounts			Actual	Variance with Final Budget Over (Under)
	Original	Final			
Revenues:					
Taxes	\$ 171,378	\$ 171,378	\$ 198,630	\$ 27,252	
Intergovernmental	16,217	16,217	14,891	(1,326)	
Other	4,000	4,000	30,404	26,404	
Total revenues	191,595	191,595	243,925	52,330	
Expenditures:					
Capital outlay:					
General government:					
Personal services	-	10,549	4,610	5,939	
Supplies	-	1,000	219	781	
Other services and charges	42,600	215,790	187,303	28,487	
Capital outlay	47,674	86,162	16,372	69,790	
Total expenditures	90,274	313,501	208,504	104,997	
Net change in fund balance	101,321	(121,906)	35,421	(52,667)	
Fund balances - beginning	679,469	679,469	679,469	-	
Fund balances - December 31	\$ 780,790	\$ 557,563	\$ 714,890	\$ (52,667)	
Budget/GAAP Reconciliation					
Net change in fund balance, budgetary basis			\$ 35,421		
To adjust revenues for accruals			(1,404)		
To adjust expenditures for accruals			(5,690)		
Net change in fund balance, GAAP basis			\$ 28,327		

TOWN OF HIGHLAND, INDIANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS - PARK NONREVERTING CAPITAL
 For The Year Ended December 31, 2006

	Budget Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Charges for services	\$ 11,892	\$ 11,892	\$ 11,892	\$ -
Other	-	-	36,608	36,608
Total revenues	<u>11,892</u>	<u>11,892</u>	<u>48,500</u>	<u>36,608</u>
Expenditures:				
Capital outlay:				
Culture and recreation:				
Other services and charges	-	-	62,184	(62,184)
Capital outlay	63,220	1,901,352	286,486	1,614,866
Total expenditures	<u>63,220</u>	<u>1,901,352</u>	<u>348,670</u>	<u>1,552,682</u>
Other financing sources:				
Transfers in	-	-	18,592	(18,592)
Proceeds of debt	-	1,850,000	1,850,000	-
Net change in fund balance	<u>(51,328)</u>	<u>(39,460)</u>	<u>1,568,422</u>	<u>(1,516,074)</u>
Fund balances - beginning	<u>209,348</u>	<u>209,348</u>	<u>209,348</u>	<u>-</u>
Fund balances - December 31	<u>\$ 158,020</u>	<u>\$ 169,888</u>	<u>\$ 1,777,770</u>	<u>\$ (1,516,074)</u>
Budget/GAAP Reconciliation				
Net change in fund balance, budgetary basis		\$ 1,568,422		
To adjust revenues for accruals		7,415		
To adjust expenditures for accruals		(137,293)		
Net change in fund balance, GAAP basis		<u>\$ 1,438,544</u>		

TOWN OF HIGHLAND, INDIANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS - GENERAL IMPROVEMENT FUND
 For The Year Ended December 31, 2006

	Budget Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Special assessments	\$ 7,000	\$ 7,000	\$ 64,548	\$ 57,548
Other	-	-	5,769	5,769
Total revenues	7,000	7,000	70,317	63,317
Expenditures:				
Capital outlay:				
Highways and streets:				
Other services and charges	-	2,510	893	1,617
Unappropriated	-	-	1,840	(1,840)
Total expenditures	-	2,510	2,733	(223)
Net change in fund balance	7,000	4,490	67,584	63,540
Fund balances - beginning	81,840	81,840	81,840	-
Fund balances - December 31	\$ 88,840	\$ 86,330	\$ 149,424	\$ 63,540
Budget/GAAP Reconciliation				
Net change in fund balance, budgetary basis			\$ 67,584	
To adjust revenues for accruals			(7,527)	
To adjust expenditures for accruals			233	
Net change in fund balance, GAAP basis			\$ 60,290	

TOWN OF HIGHLAND, INDIANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS - MUNICIPAL CUMULATIVE STREET
 For The Year Ended December 31, 2006

	Budget Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Assessments	\$ 17,640	\$ 17,640	\$ 17,449	\$ (191)
Expenditures:				
Capital outlay:				
Highways and streets:				
Capital outlay	-	4,440	2,640	1,800
Other disbursements	-	28,200	15,201	12,999
Total expenditures	-	32,640	17,841	14,799
Net change in fund balance	17,640	(15,000)	(392)	(14,990)
Fund balances - beginning	27,038	27,038	27,038	-
Fund balances - December 31	\$ 44,678	\$ 12,038	\$ 26,646	\$ (14,990)
Budget/GAAP Reconciliation				
Net change in fund balance, GAAP basis			\$ (392)	

TOWN OF HIGHLAND, INDIANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS - GAMING REVENUE SHARING
 For The Year Ended December 31, 2006

	Budget Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$	352,817	\$ 329,461	\$ (23,356)
Other		-	17,735	17,735
Total revenues		<u>352,817</u>	<u>347,196</u>	<u>(5,621)</u>
Expenditures:				
Capital outlay:				
Highways and streets:				
Other services and charges		125,827	83,665	42,162
Total expenditures		<u>56,450</u>	<u>83,665</u>	<u>42,162</u>
Net change in fund balance		296,367	263,531	(47,783)
Fund balances - beginning		321,990	321,990	-
Fund balances - December 31	\$	<u>618,357</u>	\$ <u>585,521</u>	\$ <u>(47,783)</u>
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budgetary basis			\$ 263,531	
To adjust revenues for accruals			(5,814)	
To adjust expenditures for accruals			(61,765)	
Net change in fund balance, GAAP basis			<u>\$ 195,952</u>	

TOWN OF HIGHLAND, INDIANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS - REDEVELOPMENT CAPITAL
 For The Year Ended December 31, 2006

	Budget Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 52,822	\$ 52,822	\$ 58,702	\$ 5,880
Intergovernmental	4,998	4,998	4,165	(833)
Other	2,500	2,500	34,667	32,167
Total revenues	60,320	60,320	97,534	37,214
Expenditures:				
Capital outlay:				
Urban redevelopment and housing	40,036	1,790,036	1,743,313	46,723
Other services and charges	263,506	258,247	7,376	250,871
Total expenditures	303,542	2,048,283	1,750,689	297,594
Other financing sources:				
Proceeds of debt	-	1,750,000	1,741,250	8,750
Net change in fund balance	(243,222)	(237,963)	88,095	(251,630)
Fund balances - beginning	383,838	383,838	383,838	-
Fund balances - December 31	\$ 140,616	\$ 145,875	\$ 471,933	\$ (251,630)
Budget/GAAP Reconciliation				
Net change in fund balance, budgetary basis			\$ 88,095	
To adjust revenues for accruals			1,778	
To adjust expenditures for accruals			(201)	
Net change in fund balance, GAAP basis			\$ 89,672	

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of services of goods or services provided by one department or agency to other departments of the Town, or to other governments, on a cost reimbursement basis.

Health Insurance -

To account for employer and employees' contributions when the municipality operated a partially self-funded medical insurance program. The fund is a vestigial fund, as the municipality has not operated such a program since 2000.

**Parks and Recreation
Building Corporation -**

To account for the financing and construction of a 39,000 sq. ft. Parks and Recreation facility adjoining the current Lincoln Community Center by the Parks and Recreation Building (Holding) Corporation, a non-profit corporation organized under the laws of the State of Indiana, styled as a "blended component unit" of the Town. Resources are derived from First Mortgage Bonds of the Parks and Recreation Building Corporation, issued pursuant to Indiana Code 36-1-10 et seq., interest earned from investments and from lease revenues derived according to the terms of a capital lease with the Town of Highland as lessee.

TOWN OF HIGHLAND, INDIANA
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 December 31, 2006

Assets	Health Insurance	Parks and Recreation Building Corporation	Total
Current assets:			
Cash and cash equivalents	\$ 494,974	\$ 63,809	\$ 558,783
Interest receivable	2,319	-	2,319
Accounts receivable	-	20,462	20,462
Interfund receivable	80,000	-	80,000
Current portion of operating lease	-	9,250	9,250
Current portion of direct financing lease	-	192,504	192,504
Total current assets	577,293	286,025	863,318
Noncurrent assets:			
Deferred charges	-	40,412	40,412
Operating lease receivable	-	46,250	46,250
Net investment in direct financing lease	-	977,910	977,910
Total noncurrent assets	-	1,064,572	1,064,572
Total assets	577,293	1,350,597	1,927,890
Liabilities			
Current liabilities:			
Revenue bonds payable	-	180,000	180,000
Accrued interest payable	-	40,781	40,781
Total current liabilities	-	220,781	220,781
Noncurrent liabilities:			
Revenue bonds payable (net)	-	1,407,001	1,407,001
Total noncurrent liabilities	-	1,407,001	1,407,001
Total liabilities	-	1,627,782	1,627,782
Net Assets			
Unrestricted	577,293	(277,185)	300,108
Total net assets	\$ 577,293	\$ (277,185)	\$ 300,108

TOWN OF HIGHLAND, INDIANA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 For The Year Ended December 31, 2006

	Health Insurance	Parks and Recreation Building Corporation	Total
Operating revenues:			
Charges for services	\$ -	\$ 79,472	\$ 79,472
Operating expenses:			
Administration and general	5,494	5,451	10,945
Operating income	<u>(5,494)</u>	<u>74,021</u>	<u>68,527</u>
Nonoperating revenues (expenses):			
Interest income	14,927	2,865	17,792
Interest expense	-	(80,829)	(80,829)
Amortization of bond issue costs	-	(4,223)	(4,223)
Total nonoperating expenses	<u>14,927</u>	<u>(82,187)</u>	<u>(67,260)</u>
Change in net assets	9,433	(8,166)	1,267
Total net assets - beginning	<u>567,860</u>	<u>(269,019)</u>	<u>298,841</u>
Total net assets - ending	<u>\$ 577,293</u>	<u>\$ (277,185)</u>	<u>\$ 300,108</u>

TOWN OF HIGHLAND, INDIANA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 For The Year Ended December 31, 2006

	Health Insurance	Parks and Recreation Building Corporation	Total
Cash flows from operating activities:			
Payments to suppliers	\$ (5,494)	\$ (5,451)	\$ (10,945)
Net cash used by operating activities	(5,494)	(5,451)	(10,945)
Cash flows from noncapital financing activities:			
Temporary loans made	(296,480)	-	(296,480)
Temporary loans repaid	216,480	-	216,480
Net cash used by noncapital financing activities	(80,000)	-	(80,000)
Cash flows from capital and related financing activities:			
Principal paid on capital debt	-	(165,000)	(165,000)
Interest paid on capital debt	-	(85,788)	(85,788)
Net cash used by capital and related financing activities	-	(250,788)	(250,788)
Cash flows from investing activities:			
Proceeds from net investment in direct financing lease	-	241,538	241,538
Proceeds from operating lease receivable	-	9,250	9,250
Interest received	13,788	2,865	16,653
Net cash provided by investing activities	13,788	253,653	267,441
Net increase in cash and cash equivalents	(71,706)	(2,566)	(74,292)
Cash and cash equivalents, January 1	566,680	66,395	633,075
Cash and cash equivalents, December 31	\$ 494,974	\$ 63,809	\$ 558,783
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	\$ (5,494)	\$ 74,021	\$ 68,527
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Noncash items:			
Deferred revenue recognized	-	(79,472)	(79,472)
Total adjustments	-	(79,472)	(79,472)
Net cash used by operating activities	\$ (5,494)	\$ (5,451)	\$ (10,945)

FIDUCIARY FUNDS

Agency Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

AGENCY FUNDS

Payroll -	To account for the payroll of employees of the Town and its executive departments and municipal utilities.
Parks and Recreation Escrow -	To account for security or damage deposits made by lessee tenants, to the Parks and Recreation Department as lessor, for long-term use of rooms in the community center.
Insurance Premium -	To account for department shares allocated and collected for insurance premiums payable by the municipality.
Gasoline -	To account for department shares allocated and collected for gasoline payable by the municipality.
Telephone -	To account for department shares allocated and collected for telephone system line and equipment charges payable by the municipality.
Traffic Violations -	To account for infraction deferral fees, moving traffic violations fines and state imposed court user fees collected by and under the authority of a Traffic Violations Bureau, established by the county court to make such collections on its behalf. Collections are periodically transferred to the Clerk of the Lake Circuit and Superior Courts. Authority for the fund comes from Indiana Code 36-1-3; Indiana Code 33-19-5 and Indiana Code 34-4-32.
Aflac FSA Agency Fund -	To account for expenditures and resources received in consequence of the municipality's special flexible spending accounts and employee plan established according to the terms of the Internal Revenue Code Section 125. Resources are derived from a one-time operating contribution of the Town and from participating employees' and officers' payroll deduction.

TOWN OF HIGHLAND, INDIANA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 December 31, 2006

	Payroll	Parks and Recreation Escrow	Insurance Premium	Gasoline	Telephone	Traffic Violations	Aflac FSA Agency Fund	Totals
Assets:								
Cash and cash equivalents	\$ 46,237	\$ 10,259	\$ 3,086	\$ -	\$ -	\$ 1,604	\$ 13,175	\$ 74,361
Interest receivable	67	-	-	-	-	-	10	77
Total assets	\$ 46,304	\$ 10,259	\$ 3,086	\$ -	\$ -	\$ 1,604	\$ 13,185	\$ 74,438
Liabilities:								
Payroll withholdings payable	\$ 46,304	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,304
Trust payable	-	10,259	3,086	-	-	1,604	13,185	28,134
Total liabilities	\$ 46,304	\$ 10,259	\$ 3,086	\$ -	\$ -	\$ 1,604	\$ 13,185	\$ 74,438

TOWN OF HIGHLAND, INDIANA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 For The Year Ended December 31, 2006

	Payroll	Parks and Recreation Escrow	Insurance Premium	Gasoline	Telephone	Traffic Violations	Atiac FSA Agency Fund	Totals
Assets:								
Cash and cash equivalents, January 1, 2006	\$ 46,570	\$ 10,259	\$ 1,862	\$ -	\$ -	\$ 3,431	\$ 13,709	\$ 75,831
Additions	1,710,767	-	1,507,121	126,426	51,436	28,445	26,511	3,450,706
Deductions	(1,711,100)	-	(1,505,897)	(126,426)	(51,436)	(30,272)	(27,045)	(3,452,176)
Cash and cash equivalents, December 31, 2006	46,237	10,259	3,086	-	-	1,604	13,175	74,361
Interest receivable, January 1, 2006	71	-	-	-	-	-	10	81
Additions	67	-	-	-	-	-	10	77
Deductions	(71)	-	-	-	-	-	(10)	(81)
Interest receivable, December 31, 2006	67	-	-	-	-	-	10	77
Total assets, December 31, 2006	\$ 46,304	\$ 10,259	\$ 3,086	\$ -	\$ -	\$ 1,604	\$ 13,185	\$ 74,438
Liabilities:								
Payroll withholdings payable, January 1, 2006	\$ 46,641	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,641
Additions	1,710,834	-	-	-	-	-	-	1,710,834
Deductions	(1,711,171)	-	-	-	-	-	-	(1,711,171)
Payroll withholdings payable, December 31, 2006	46,304	-	-	-	-	-	-	46,304
Trust payable, January 1, 2006	-	10,259	1,862	-	-	3,431	13,719	29,271
Additions	-	-	1,507,121	126,426	51,436	28,445	26,521	1,739,949
Deductions	-	-	(1,505,897)	(126,426)	(51,436)	(30,272)	(27,055)	(1,741,086)
Trust payable, December 31, 2006	-	10,259	3,086	-	-	1,604	13,185	28,134
Total liabilities, December 31, 2006	\$ 46,304	\$ 10,259	\$ 3,086	\$ -	\$ -	\$ 1,604	\$ 13,185	\$ 74,438

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Statistical Section

This part of the Town of Highland's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	116
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	128
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	133
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	140
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	161

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive financial reports for the relevant year.

TOWN OF HIGHLAND
NET ASSETS by COMPONENT
Fiscal Years 2003 - 2006
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental Accounts				
Investment in capital assets, net of related debt	\$ 14,587,666	\$ 11,401,886	\$ 10,987,839	\$ 16,022,139
Restricted	2,660,744	3,698,490	3,586,422	4,708,632
Unrestricted	(2,920,252)	(2,879,382)	(3,361,600)	(3,776,560)
Total Governmental Activities Net Assets	<u>\$ 14,328,158</u>	<u>\$ 12,220,994</u>	<u>\$ 11,212,661</u>	<u>\$ 16,954,211</u>
Business-type Activities				
Investment in capital assets, net of related debt	\$ 10,917,934	\$ 16,527,488	\$ 16,001,186	\$ 17,309,888
Restricted	1,990,705	1,372,497	3,614,059	2,917,715
Unrestricted	460,160	1,171,139	597,843	341,387
Total Business-type Activities Net Assets	<u>\$ 13,368,799</u>	<u>\$ 19,071,124</u>	<u>\$ 20,213,088</u>	<u>\$ 20,568,990</u>
Primary Government				
Investment in capital assets, net of related debt	\$ 25,505,600	\$ 27,929,374	\$ 26,989,025	\$ 33,332,027
Restricted	4,651,449	5,070,987	7,200,481	7,626,347
Unrestricted	(2,460,092)	(1,708,243)	(2,763,757)	(3,435,173)
Total Primary Government Net Assets	<u>\$ 27,696,957</u>	<u>\$ 31,292,118</u>	<u>\$ 31,425,749</u>	<u>\$ 37,523,201</u>

This report should reflect 10 years of data. However, data not available prior to 2003 in part owing to the reporting model.

TOWN OF HIGHLAND
Changes in Net Assets
Fiscal Years 2003 - 2006
(accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
Expenses			
Governmental Activities:			
General government	\$ 1,506,033	\$ 748,354	\$ 1,442,017
Public safety	4,424,506	4,741,337	6,325,184
Highway/streets	2,473,525	928,083	2,345,077
Sanitation	1,250,587	1,437,711	1,433,711
Economic development	396,885	83,080	239,839
Health and welfare	7,000	-	-
Culture and recreation	1,545,834	1,859,186	2,023,220
Bond issuance cost	272,319	240,201	207,489
Interest on long-term debt	11,859,689	10,044,825	14,016,537
Total governmental activities expenses			264,697
Business-Type Activities:			
Water	3,016,042	2,276,318	2,292,223
Sanitary District (sewer)	2,636,038	2,353,091	2,676,647
Total business-type activities	5,652,080	4,629,409	4,968,870
Total primary government expenses	\$ 17,521,769	\$ 14,674,234	\$ 18,985,407
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$ 551,893	\$ 600,629	\$ 564,176
Sanitation	1,178,155	1,186,992	1,186,967
Culture and recreation	762,791	812,381	797,803
Other activities	106,744	153,370	166,467
Operating grants and contributions	1,315,260	1,030,383	1,237,294
Capital grants and contributions	1,145,877	1,066,373	800,627
Total governmental activities program revenues	5,060,720	4,850,128	4,753,334
Business-type activities:			
Charges for services:			
Water	3,171,106	2,530,590	2,708,956
Sanitary District (sewer)	2,145,862	2,230,218	3,009,709
Operating grants and contributions	-	-	-
Capital grants and contributions	5,316,958	717,616	52,090
Total business-type activities	10,377,678	5,478,424	5,770,755
Total primary government program revenues	\$ 10,377,678	\$ 10,328,552	\$ 10,524,089
Net (expense)/revenue	\$ (6,808,969)	\$ (6,194,697)	\$ (9,263,203)
Governmental activities	(335,122)	849,015	801,885
Business-type activities	(7,144,091)	(4,345,682)	(8,461,318)
Total primary government net expense	\$ (7,144,091)	\$ (4,345,682)	\$ (8,461,318)
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes			
Property taxes	\$ 5,655,269	\$ 6,704,371	\$ 7,078,601
Excise taxes	519,823	667,574	542,153
Financial institution tax	-	131,775	71,815
Commercial vehicle excise tax	-	60,889	32,727
ABC gallonage tax	47,963	75,543	62,426
Cigarette tax	23,215	23,964	19,851
Other	55,056	116,839	105,975
Unrestricted investment earnings	72,333	38,822	208,272
Special: Cooperative agreement revenue	-	-	-
Total governmental activities	6,373,659	7,818,777	8,121,820
Business-type activities:			
Taxes			
Property taxes	650,090	617,054	505,995
Excise taxes	297,710	37,898	-
Financial institution tax	-	8,332	-
Commercial vehicle excise tax	-	21,667	-
Other	2,158,497	160	52,907
Unrestricted investment earnings	12,671	9,053	47,539
Total business-type activities	3,118,268	694,164	606,441
Total primary government	\$ 9,492,627	\$ 8,512,941	\$ 8,728,261
Change in Net Assets			
Governmental activities	\$ (435,310)	\$ 2,624,080	\$ (1,141,383)
Business-type activities	2,783,846	1,543,179	1,408,326
Total primary government	\$ 2,348,536	\$ 4,167,259	\$ 266,943
			\$ 20,536,074
			\$ 2,063,441
			4,934,503
			1,882,447
			1,570,682
			1,871,473
			2,112,857
			264,697
			14,700,100
			2,165,586
			3,670,388
			5,835,974
			\$ 20,536,074
			\$ 667,044
			1,266,124
			821,114
			191,644
			1,194,935
			1,325,520
			5,466,381
			2,531,464
			2,961,916
			-
			5,493,380
			\$ 10,959,761
			\$ (9,283,719)
			(342,594)
			\$ (9,576,313)
			\$ 7,207,152
			555,440
			35,450
			17,013
			58,225
			22,941
			147,842
			323,136
			1,750,000
			10,117,199
			576,090
			-
			-
			-
			122,404
			698,494
			\$ 10,815,693
			\$ 883,480
			355,900
			\$ 1,239,380

This report should reflect 10 years of data. However, data not available prior to 2003 in part owing to the reporting model.

**Town of Highland
Government Activities Tax Revenues By Source
Fiscal Years 2003 - 2006
(accrual basis of accounting)**

Fiscal Year	Property Tax	Excise Tax	Commercial				Cigarette Tax	Total
			Financial Institution Tax	Vehicle Excise Tax	ABC Gallonage Tax			
2003	\$ 5,655,269	\$ 519,823	\$ -	\$ -	\$ 47,963	\$ 23,215	\$ 6,246,270	
2004	\$ 6,704,371	\$ 667,574	\$ 131,775	\$ 60,889	\$ 75,546	\$ 23,964	\$ 7,664,119	
2005	\$ 7,078,601	\$ 542,153	\$ 71,815	\$ 32,727	\$ 62,426	\$ 19,851	\$ 7,807,573	
2006	\$ 7,207,152	\$ 555,440	\$ 35,450	\$ 17,013	\$ 58,225	\$ 22,941	\$ 7,896,221	

This report should reflect 10 years of data. However, data not available prior to 2003 in part owing to the reporting model.

TOWN OF HIGHLAND
Fund Balances of Governmental Funds
Fiscal Years 2003 - 2006
(modified accrual basis of accounting)

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund				
Reserved	\$ 366,359	\$ 300,587	\$ 93,508	\$ 308,757
Unreserved	1,672,190	(2,538,179)	230,815	647,891
Total general fund	<u>\$ 2,038,549</u>	<u>\$ (2,237,592)</u>	<u>\$ 324,323</u>	<u>\$ 956,648</u>
All other governmental funds				
Reserved	\$ 627,020	\$ 670,205	\$ 97,837	\$ 454,065
Unreserved, reported in:				
Special revenue funds	858,221	(13,861)	863,737	1,102,641
Capital projects funds	773,997	1,376,272	2,112,000	4,065,553
Debt service funds	553,143	259,206	541,058	800,155
Total all other governmental funds	<u>\$ 2,812,381</u>	<u>\$ 2,291,822</u>	<u>\$ 3,614,632</u>	<u>\$ 6,422,414</u>

This report should reflect 10 years of data. However, data not available prior to 2003 in part owing to the reporting model.

TOWN OF HIGHLAND
Changes in Fund Balances of Governmental Funds
Fiscal Years 2003 - 2006
(modified accrual basis of accounting)

	Fiscal Year		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues			
Taxes	\$4,141,538	\$3,561,860	\$10,446,059
Special assessments	17,659	17,402	24,400
Licenses and permits	311,312	342,872	308,782
Intergovernmental	2,720,825	3,033,747	2,693,115
Charges for services	2,196,554	2,250,560	2,321,359
Fines and forfeits	14,905	56,663	16,201
Other	246,543	259,262	423,531
Total revenues	<u>9,649,336</u>	<u>9,522,366</u>	<u>16,233,447</u>
Expenditures			
General government	2,343,457	1,544,967	1,348,605
Public safety	3,813,753	4,231,834	4,978,387
Highways and streets	973,398	836,254	961,537
Sanitation	1,250,587	1,437,584	1,433,711
Culture and recreation	1,697,503	1,641,600	1,747,652
Urban redevelopment and housing	43,316	63,510	91,599
Debt service			
Principal	840,000	925,000	1,000,000
Interest	311,762	278,173	231,879
Capital Outlay	1,577,333	290,281	1,860,995
Total expenditures	<u>12,851,109</u>	<u>11,249,203</u>	<u>13,654,365</u>
Excess of revenues over (under) expenditures	(3,201,773)	(1,726,837)	2,579,082
Other financing sources (uses)			
Capital leases	-	-	80,690
Issuance of Debt	-	-	1,091,903
Transfers in	70,000	160,049	131,481
Transfers out	(70,000)	(160,049)	(131,481)
Temporary loans	267,276	-	-
Tax anticipation warrants received	7,775,237 *	-	-
Tax anticipation warrants repaid	(4,760,000) *	-	-
Total other financing sources (uses)	<u>3,282,513 *</u>	<u>-</u>	<u>1,172,593</u>
Net change in fund balances	<u>\$ 80,740 *</u>	<u>\$ (1,726,837)</u>	<u>\$ 3,751,675</u>
Debt service as a percentage of noncapital expenditures	10.22%	10.98%	10.45%
			10.70%

* A Prior Period Adjustment was made to the beginning January 1, 2004 balance that removed the Tax Anticipation Warrant line items which would affect the financing sources (uses) and change in fund balances. This report should reflect 10 years of data. However, data not available prior to 2003 in part owing to the reporting model.

**TOWN OF HIGHLAND
 General Government Tax Revenues By Source
 Fiscal Years 2003 - 2006
 (modified accrual basis of accounting)**

<u>Fiscal Year</u>	<u>Property Tax</u>
2003	\$ 4,141,538
2004	3,561,860
2005	10,446,059
2006	\$8,205,190

This report should reflect 10 years of data. However, data not available prior to 2003 in part owing to the reporting model.

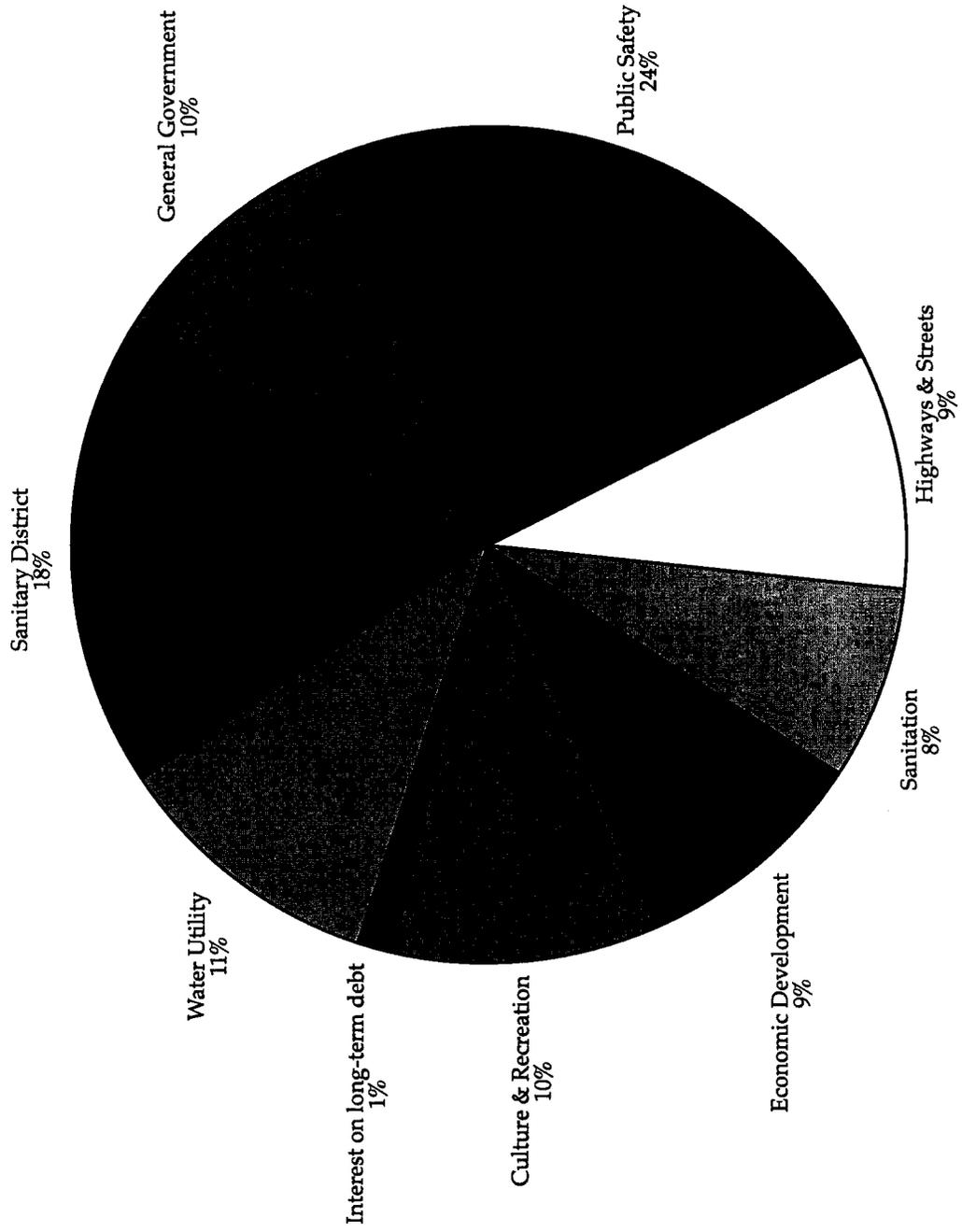
**Town of Highland
Government-wide Expenses by Function
Fiscal Years FY 2003-2006**

Fiscal Year Ended Dec. 31	General Government	Public Safety	Highways Streets & Roadways	Sanitation	Culture & Recreation	Economic Development	Interest on Long-term Debt	Water	Sanitary District	Total
2006	\$ 2,063,441	\$ 4,934,503	\$ 1,882,447	\$ 1,570,682	\$ 2,112,857	\$ 1,871,473	\$ 264,697	\$ 2,165,586	\$ 3,670,388	\$ 20,536,074
2005	\$ 1,442,017	\$ 6,325,184	\$ 2,341,114	\$ 1,433,711	\$ 2,023,220	\$ 239,839	\$ 211,452	\$ 2,292,223	\$ 2,676,647	\$ 18,985,407
2004	\$ 748,354	\$ 4,741,337	\$ 928,083	\$ 1,437,584	\$ 1,859,186	\$ 83,080	\$ 240,201	\$ 2,276,318	\$ 2,353,091	\$ 14,667,234
2003	\$ 1,500,498	\$ 4,424,506	\$ 2,473,525	\$ 1,250,587	\$ 1,545,834	\$ 396,885	\$ 272,319	\$ 3,016,042	\$ 2,636,038	\$ 17,516,234

Note: The schedule above is being developed according to the GASB 34 guidelines. Because the change significantly changed the manner of reporting, the report begins with 2003, the first effective year of the new model for Highland. Please consult a later page in the statistical section in order to see prior years, which does not reflect the new GASB 34 formatting convention.

Fiscal Year Ended Dec. 31	General Government	Public Safety	Highways Streets & Roadways	Sanitation	Culture & Recreation	Economic Development	Interest on Long-term Debt	Water	Sanitary District	Total
2006	10.05%	24.03%	9.17%	7.65%	10.29%	9.11%	1.29%	10.55%	17.87%	100.00%
2005	7.02%	30.80%	11.40%	6.98%	9.85%	1.17%	1.03%	11.16%	13.03%	92.45%
2004	3.94%	24.97%	4.89%	7.57%	9.79%	0.44%	1.27%	11.99%	12.39%	77.26%
2003	10.23%	30.17%	16.86%	8.53%	10.54%	2.71%	1.86%	20.56%	17.97%	119.42%

Government-Wide Expenditures Highland FY 2006 by Function



**Town of Highland
Government-wide Revenues
Fiscal Years 2003-2006**

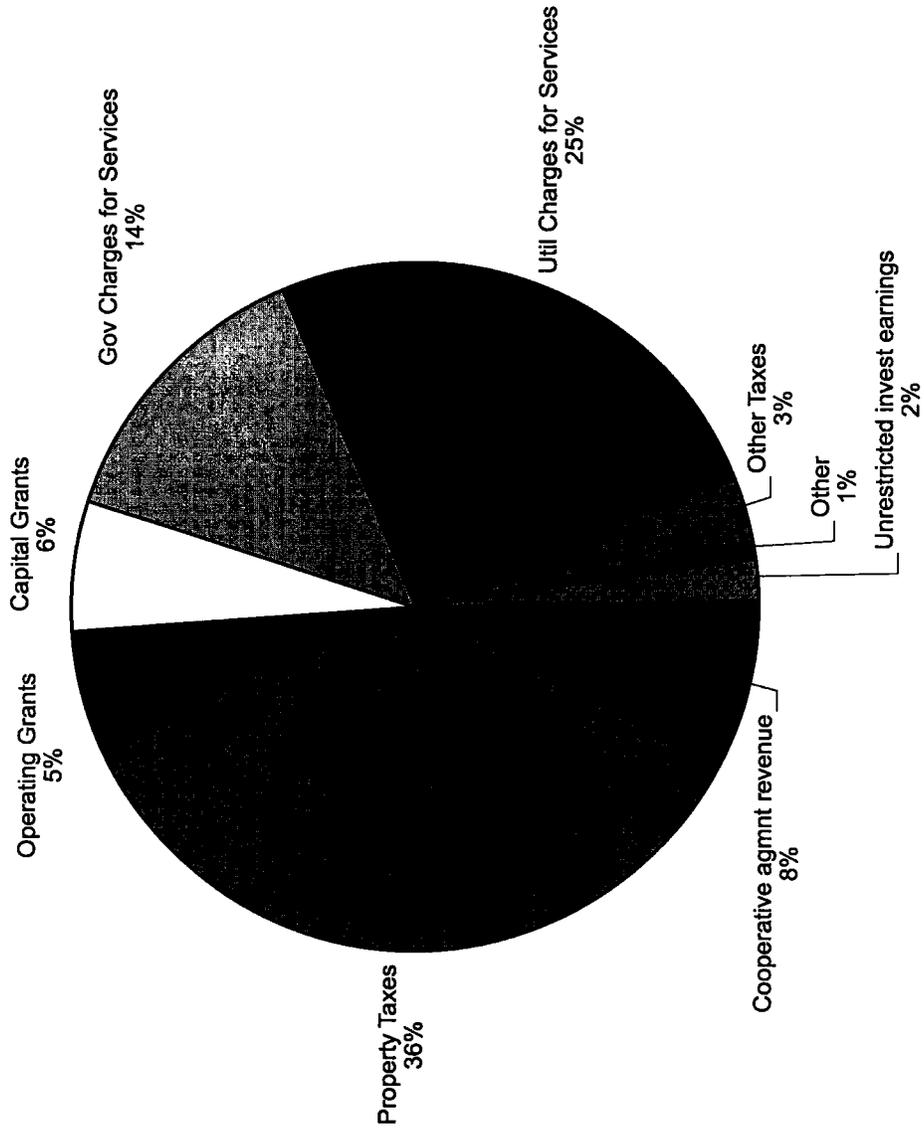
Fiscal Year Ended Dec. 31	Program Revenues			General Revenues					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Grants and Contributions Not Restricted to Specific Programs	Other Taxes	Other		
2006	\$ 8,439,306	\$ 1,194,935	\$ 1,325,520	\$ 7,783,242	\$ -	\$ 689,069	\$ 2,343,382	\$ 21,775,454	
2005	\$ 8,434,078	\$ 1,237,294	\$ 852,717	\$ 7,584,596	\$ -	\$ 728,972	\$ 414,693	\$ 19,252,350	
2004	\$ 7,514,180	\$ 1,030,383	\$ 1,783,989	\$ 7,321,425	\$ -	\$ 1,027,645	\$ 163,874	\$ 18,841,496	
2003	\$ 7,916,541	\$ 1,315,260	\$ 1,145,877	\$ 6,305,359	\$ 2,213,553	\$ 888,711	\$ 85,004	\$ 19,870,305	

Note: The schedule above is being developed according to the GASB 34 guidelines. Because the change significantly changed the manner of reporting, the report begins with 2003, the first effective year of the new model for Highland. Please consult a later page in the statistical section in order to see prior years, which does not reflect the new GASB 34 formatting convention.

This includes governmental and business like activities

2006	38.76%	5.49%	6.09%	35.74%	0.00%	3.16%	10.76%	100.00%
2005	43.81%	6.43%	4.43%	39.40%	0.00%	3.79%	2.15%	100.00%
2004	39.88%	5.47%	9.47%	38.86%	0.00%	5.45%	0.87%	100.00%
2003	39.84%	6.62%	5.77%	31.73%	11.14%	4.47%	0.43%	100.00%

Government-Wide Revenues Town of Highland FY 2006



**Town of Highland
General Government Expenditures by Function
Last Ten Fiscal Years FY 1993-2002**

Fiscal Year Ended Dec. 31	General Government	Public Safety	Highways Streets & Roadways	Sanitation	Culture & Recreation	Economic Development	Capital Outlay	Debt Service	Total
2002	\$ 2,009,089	\$ 3,370,235	\$ 1,090,722	\$ 1,352,727	\$ 1,596,102	\$ 47,336	\$ 1,498,669	\$ 1,620,077	\$ 12,584,957
2001	\$ 1,924,735	\$ 3,622,831	\$ 1,321,599	\$ 1,415,124	\$ 1,555,484	\$ 29,527	\$ 1,810,252	\$ 2,236,942	\$ 13,916,494
2000	\$ 1,924,458	\$ 3,501,112	\$ 1,476,152	\$ 1,251,220	\$ 1,461,771	\$ 19,552	\$ 2,761,496	\$ 2,270,615	\$ 14,666,376
1999	\$ 1,935,748	\$ 3,122,282	\$ 1,547,861	\$ 1,234,796	\$ 1,382,110	\$ 127,207	\$ 3,540,298	\$ 2,099,958	\$ 14,990,260
1998	\$ 1,868,555	\$ 3,046,558	\$ 1,179,535	\$ 1,258,746	\$ 1,246,164	\$ 70,005	\$ 2,991,823	\$ 2,064,978	\$ 13,726,364
1997	\$ 1,781,390	\$ 2,822,451	\$ 903,020	\$ 1,110,958	\$ 1,193,552	\$ 23,175	\$ 940,883	\$ 1,683,394	\$ 10,458,823
1996	\$ 1,691,750	\$ 3,113,115	\$ 942,246	\$ 1,143,378	\$ 1,094,634	-	\$ 1,334,876	\$ 1,674,521	\$ 10,994,520
1995	\$ 3,038,878	\$ 2,537,414	\$ 806,594	\$ 260,003	\$ 1,043,186	\$ 25,667	\$ 786,937	\$ 1,551,561	\$ 10,050,240
1994	\$ 1,704,471	\$ 2,444,628	\$ 803,184	\$ 1,017,882	\$ 971,125	-	\$ 932,033	\$ 1,491,948	\$ 9,365,271
1993	\$ 1,686,285	\$ 2,165,891	\$ 764,007	\$ 923,690	\$ 975,020	-	\$ 878,374	\$ 1,439,513	\$ 8,832,780
2002	15.96%	26.78%	8.67%	10.75%	12.68%	0.38%	11.91%	12.87%	100.00%
2001	13.83%	26.03%	9.50%	10.17%	11.18%	0.21%	13.01%	16.07%	100.00%
2000	13.12%	23.87%	10.06%	8.53%	9.97%	0.13%	18.83%	15.48%	100.00%
1999	12.91%	20.83%	10.33%	8.24%	9.22%	0.85%	23.62%	14.01%	100.00%
1998	13.61%	22.19%	8.59%	9.17%	9.08%	0.51%	21.80%	15.04%	100.00%
1997	17.03%	26.99%	8.63%	10.62%	11.41%	0.22%	9.00%	16.10%	100.00%
1996	15.39%	28.32%	8.57%	10.40%	9.96%	0.00%	12.14%	15.23%	100.00%
1995	30.24%	25.25%	8.03%	2.59%	10.38%	0.26%	7.83%	15.44%	100.00%
1994	18.20%	26.10%	8.58%	10.87%	10.37%	0.00%	9.95%	15.93%	100.00%
1993	19.09%	24.52%	8.65%	10.46%	11.04%	0.00%	9.94%	16.30%	100.00%

Note: The schedule above includes General, Special Revenue, Debt Service, Capital Projects, as well as the Component Unit expenditures.

**Town of Highland
General Revenue by Source
Last Ten Fiscal Years 1993-2002**

Fiscal Year Ended Dec. 31	Taxes	Special Assessments	License & Permits	Inter- Government	Charges for Services	Fines & Forfeits	Misc.	Total
2002	\$ 6,138,352	\$ 76,071	\$ 249,686	\$ 2,818,967	\$ 2,155,283	\$ 75,410	\$ 326,070	\$ 11,839,839
2001	\$ 5,939,273	\$ 126,495	\$ 322,927	\$ 3,048,279	\$ 2,048,863	\$ 52,142	\$ 449,707	\$ 11,987,686
2000	\$ 7,186,825	\$ 3,751	\$ 294,241	\$ 2,642,260	\$ 1,850,124	\$ 49,179	\$ 516,311	\$ 12,542,691
1999	\$ 6,908,992	\$ 185,488	\$ 378,055	\$ 2,703,661	\$ 1,727,098	\$ 51,540	\$ 832,850	\$ 12,787,684
1998	\$ 6,677,808	\$ 22,149	\$ 496,297	\$ 3,060,723	\$ 1,711,965	\$ 48,712	\$ 1,139,496	\$ 13,157,150
1997	\$ 6,395,249	\$ -	\$ 362,263	\$ 1,831,143	\$ 1,675,852	\$ 58,965	\$ 914,875	\$ 11,238,347
1996	\$ 5,791,614	\$ -	\$ 343,605	\$ 1,584,060	\$ 1,620,364	\$ 68,813	\$ 255,310	\$ 9,663,766
1995	\$ 5,951,438	\$ -	\$ 331,577	\$ 1,341,060	\$ 1,463,374	\$ 435,087	\$ 327,800	\$ 9,850,336
1994	\$ 5,799,420	\$ -	\$ 338,507	\$ 1,203,105	\$ 1,124,529	\$ 171,814	\$ 535,009	\$ 9,172,384
1993	\$ 5,374,627	\$ -	\$ 185,230	\$ 1,438,774	\$ 1,349,225	\$ 90,957	\$ 299,037	\$ 8,737,850
2002	51.84%	0.64%	2.11%	23.81%	18.20%	0.64%	2.75%	100.00%
2001	49.54%	1.06%	2.69%	25.43%	17.09%	0.43%	3.75%	100.00%
2000	57.30%	0.03%	2.35%	21.07%	14.75%	0.39%	4.12%	100.00%
1999	54.03%	1.45%	2.96%	21.14%	13.51%	0.40%	6.51%	100.00%
1998	50.75%	0.17%	3.77%	23.26%	13.01%	0.37%	8.66%	100.00%
1997	56.91%	0.00%	3.22%	16.29%	14.91%	0.52%	8.14%	100.00%
1996	59.93%	0.00%	3.56%	16.39%	16.77%	0.71%	2.64%	100.00%
1995	60.42%	0.00%	3.37%	13.61%	14.86%	4.42%	3.33%	100.00%
1994	63.23%	0.00%	3.69%	13.12%	12.26%	1.87%	5.83%	100.00%
1993	61.51%	0.00%	2.12%	16.47%	15.44%	1.04%	3.42%	100.00%

Notes: The schedule includes General, Special Revenue, Debt Service, Capital Projects, as well as the Component Unit revenues.

**Town of Highland
Total Property Taxes Levied and Collected
Includes Overlapping Jurisdictions
Last Ten Fiscal Years 1997-2006**

Fiscal Year Ended Dec. 31	Net Current Taxes Levied	Collections	Delinquent Taxes Receivable	Percent of Levied Collected
2006	\$ 25,491,088			***
2005	\$ 27,987,204	\$ 26,202,438	\$ 1,784,766	93.62%
2004	\$ 26,269,769	\$ 24,658,258	\$ 1,611,511	**
2003	\$ 25,734,539	\$ 25,002,082	\$ 732,457	**
2002	\$ 29,329,601	\$ 28,794,921	\$ 1,241,349	**
2001	\$ 27,382,282	\$ 26,722,250	\$ 1,205,693	**
2000	\$ 26,082,156	\$ 24,828,387	\$ 1,253,769	95.19%
1999	\$ 25,041,150	\$ 24,540,327	\$ 500,823	98.00%
1998	\$ 22,242,396	\$ 21,853,154	\$ 971,791	98.25%
1997	\$ 21,971,040	\$ 23,641,914	\$ 542,037	107.60%

Notes: All years presented on Modified accrual basis.

* Source is the Lake County Auditor.

**Collections include in some cases penalties and late payments.
Delinquencies include receivables for current and prior years in some cases.

Net Current Taxes is the amount of taxes due after allowing the homestead, property tax replacement credits that the State pays for taxpayers as part of its relief program.

*** At the Time of this report's preparation, the Lake County Auditor did not have the data available. Pay 2006 bills were issued late and were not settled until early 2007 and figures were not available.

**Town of Highland
Property Taxes Levied and Collected - Town of Highland
Last Ten Fiscal Years 1997-2006**

<u>Fiscal Year Ended Dec. 31</u>	<u>Levied</u>	<u>Collections</u>	<u>Delinquent Taxes Receivable</u>	<u>Percent of Levied Collected</u>
2006	\$7,953,809	\$7,923,718	\$30,091	99.62%
2005	\$6,965,238	\$6,813,205	\$152,033	97.82%
2004	\$7,289,247	\$7,172,989	\$116,258	98.41%
2003	\$7,322,435	\$7,408,261	\$207,225	101.17%
2002	\$6,618,962	\$6,405,695	\$278,197	96.78%
2001	\$6,482,509	\$6,471,487	\$285,437	99.83%
2000	\$6,828,466	\$6,740,381	\$258,658	98.71%
1999	\$6,417,700	\$6,409,210	\$1,187,455	99.87%
1998	\$5,996,122	\$5,891,434	\$345,647	98.25%
1997	\$5,706,475	\$6,142,770	\$326,515	107.65%

The data is based upon information
provided by the Office of the Highland Clerk-Treasurer.

**Town of Highland
Assessed and Actual Value of Taxable Property
Last Ten Fiscal Years 1997-2006***

Funding Fiscal Year Ended Dec. 31	Actual Real Assessed Value	Net Real Assessed Value	Railroad, Utilities & Personal Prop Actual Assessed Value	Railroad, Utilities & Personal Prop Net Assessed Value	Total Net Assessed Value	Ratio of Total Assessed to Estimated Actual Value	Total Assessed value Increase or (Decrease)	Percent of Increase	Difference Actual to Net Assessed Value
2006	\$ 1,475,713,920	\$ 1,068,602,470	\$ 103,568,140	\$ 102,551,532	\$ 1,171,154,002	100%	\$ 2,304,157	0.20%	\$ 408,128,058
2005	\$ 1,468,814,190	\$ 1,063,924,855	\$ 105,932,410	\$ 104,924,990	\$ 1,168,849,845	100%	\$ (679,213)	-0.06%	\$ 405,896,755
2004	\$ 1,464,260,650	\$ 1,066,825,390	\$ 103,788,528	\$ 102,703,668	\$ 1,169,529,058	100%	\$ (7,528,162)	-0.64%	\$ 398,520,120
2003	\$ 1,458,363,300	\$ 1,073,011,720	\$ 105,009,360	\$ 104,045,500	\$ 1,177,057,220	100%	\$ 675,941,086	134.89%	\$ 386,315,440
2002	\$ 539,061,865	\$ 404,169,264	\$ 97,821,560	\$ 96,946,870	\$ 501,116,134	100%	\$ 21,503,710	4.95%	\$ 135,767,291

Funding Fiscal Year Ended Dec. 31	Real Assessed Value	Real Estimated Actual Value	Utilities & Personal Assessed Value	Utilities & Personal Estimated Actual Value	Total Assessed Value	Total Estimated Actual Value	Ratio of Total Assessed to Estimated Actual Value	Total Assessed value Increase or (Decrease)	Percent of Increase
2001	\$ 175,198,590	\$ 525,595,770	\$ 31,670,970	\$ 95,012,910	\$ 159,870,808	\$ 479,612,424	33.33%	\$ 6,370,388	4.15%
2000	\$ 121,823,220	\$ 365,469,660	\$ 31,677,200	\$ 95,031,600	\$ 153,500,420	\$ 460,501,260	33.33%	\$ 8,676,560	5.99%
1999	\$ 116,660,730	\$ 349,982,190	\$ 28,163,130	\$ 84,489,390	\$ 144,823,860	\$ 434,471,580	33.33%	\$ 4,347,600	3.09%
1998	\$ 114,189,970	\$ 342,569,910	\$ 26,286,290	\$ 78,858,870	\$ 140,476,260	\$ 421,428,780	33.33%	\$ 6,967,700	5.22%
1997	\$ 110,053,300	\$ 330,159,900	\$ 23,455,260	\$ 70,365,780	\$ 133,508,560	\$ 400,525,680	33.33%	\$ 9,435,870	7.61%

Note: Data per the Lake County Auditor's Office.

* Beginning in FY 2002, the State of Indiana taxed based upon 100% of the True Tax value of property instead of 33.33%. In addition, a general reassessment was conducted affecting values in FY 2003.

**Town of Highland
Property Tax Rates
All Direct and Overlapping Governments
Last Ten Fiscal Years**

Year Ended Dec. 31	Highland Civil	Highland Sanitary* District	Lake County	North Township	Highland Schools	Library	State & All Other Taxing Units	Gross Total	Percent Increase or Decrease
2006	\$ 0.6588	\$ 0.0188	\$ 1.1543	\$ 0.0744	\$ 1.2572	\$ 0.1024	\$ 0.0024	\$ 3.2683	6.675%
2005	\$ 0.5806	\$ 0.0140	\$ 1.1254	\$ 0.0704	\$ 1.1667	\$ 0.1043	\$ 0.0024	\$ 3.0638	1.575%**
2004	\$ 0.5990	\$ 0.0233	\$ 1.1530	\$ 0.0756	\$ 1.0561	\$ 0.1069	\$ 0.0024	\$ 3.0163	0.070%
2003	\$ 0.5875	\$ 0.0433	\$ 1.2029	\$ 0.0726	\$ 1.0145	\$ 0.0901	\$ 0.0033	\$ 3.0142	-51.353%
2002	\$ 1.2679	\$ 0.0799	\$ 1.9447	\$ 0.4110	\$ 2.3117	\$ 0.1776	\$ 0.0033	\$ 6.1961	-63.810%
2001	\$ 3.8086	\$ 0.2521	\$ 5.2314	\$ 0.3362	\$ 6.9488	\$ 0.5338	\$ 0.0100	\$ 17.1209	0.00%
2000	\$ 3.8625	\$ 0.5860	\$ 5.0002	\$ 0.3022	\$ 6.8330	\$ 0.5277	\$ 0.0100	\$ 17.1216	-0.98%
1999	\$ 3.5661	\$ 0.9202	\$ 5.0492	\$ 0.2801	\$ 6.9512	\$ 0.5140	\$ 0.0100	\$ 17.2908	9.20%
1998	\$ 3.6975	\$ 0.5875	\$ 4.2763	\$ 0.2758	\$ 6.4625	\$ 0.5240	\$ 0.0100	\$ 15.8336	-10.59%
1997	\$ 3.9560	\$ 0.6433	\$ 5.2798	\$ 0.3330	\$ 6.9341	\$ 0.5520	\$ 0.0100	\$ 17.7082	6.83%

Note: Data per the Lake County Auditor's Office.

Note: Rates are based per \$100 of net assessed valuation

* Component Unit

The gross rate has not been adjusted for Property Tax Replacement Credit

** Beginning in FY 2002 the state bases rates on 100 % of the True Tax value instead of the former 33 1/3 percent.

**Town of Highland
Property Tax Rates of the Corporation
by Fund
Last Ten Fiscal Years FY 1997 to 2006**

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Corporation General	\$ 0.3960	\$ 0.3909	\$ 0.3541	\$ 0.3485	\$ 0.7517	\$ 2.1541	\$ 2.2630	\$ 2.0241	\$ 2.0371	\$ 2.4251
Corp. Bond	\$ 0.0263	\$ 0.0136	\$ 0.0141	\$ 0.0151	\$ 0.0245	\$ 0.1044	\$ 0.1444	\$ 0.0416	\$ 0.4017	\$ 0.4492
Police Pension	\$ 0.0174	\$ 0.0100	\$ 0.0171	\$ 0.0024	\$ 0.0405	\$ 0.1239	\$ 0.0729	\$ 0.1502	\$ 0.0588	\$ 0.1253
Parks & Recreation	\$ 0.0668	\$ 0.0719	\$ 0.0655	\$ 0.0720	\$ 0.1425	\$ 0.4467	\$ 0.3937	\$ 0.5136	\$ 0.3439	\$ 0.4022
Park District Bond	\$ 0.0581	\$ 0.0058	\$ 0.0417	\$ 0.0435	\$ 0.0948	\$ 0.2294	\$ 0.0719	\$ 0.0811	\$ 0.1620	\$ 0.1890
Hydrant Rental	\$ 0.0128	-	\$ 0.0248	\$ 0.0230	\$ 0.0497	\$ 0.2121	\$ 0.1475	\$ 0.1748	\$ 0.1436	\$ 0.1832
Sanitary District	\$ 0.0145	\$ 0.0140	\$ 0.0135	\$ 0.0136	\$ 0.0221	\$ 0.0949	\$ 0.0944	\$ 0.0897	\$ 0.0577	\$ 0.1031
Lease Rental Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sanitary District Bond	\$ 0.0043	\$ -	\$ 0.0098	\$ 0.0297	\$ 0.0578	\$ 0.1572	\$ 0.4916	\$ 0.8305	\$ 0.5298	\$ 0.5402
Public Works Bldg Corp.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.0666	\$ 0.0835	\$ 0.0672	\$ 0.0830
Cum. Cap. Development	\$ 0.0146	\$ 0.0146	\$ 0.0146	\$ 0.0146	\$ 0.0330	\$ 0.0990	\$ 0.0990	\$ 0.0990	\$ 0.0990	\$ 0.0990
Water District Bond	\$ 0.0250	\$ 0.0202	\$ 0.0220	\$ 0.0223	\$ 0.0497	\$ 0.1648	\$ 0.1719	\$ 0.0703	\$ 0.0844	\$ 0.0990
Parks Bldg Corp. Lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.1708	\$ 0.0947	\$ 0.1977	\$ 0.1021
Redevelopment Gen.	\$ 0.0103	\$ 0.0048	\$ 0.0032	\$ 0.0016	\$ 0.0023	\$ 0.0489	\$ 0.0355	\$ 0.1002	\$ 0.1021	\$ 0.1021
Redevelopment Bond.	\$ 0.0270	\$ 0.0366	\$ 0.0370	\$ 0.0391	\$ 0.0662	\$ 0.2253	\$ 0.2253	\$ 0.1330	\$ 0.1330	\$ 0.1330
Redevelopment Capital.	\$ 0.0045	\$ 0.0037	\$ 0.0049	\$ 0.0054	\$ 0.0130	\$ 0.0130	\$ 0.2253	\$ 0.1330	\$ 0.1330	\$ 0.1330
Total Corporation:	\$0.6776	\$0.5861	\$0.6223	\$0.6308	\$1.3478	\$4.0607	\$4.4485	\$4.4863	\$4.2850	\$4.5993
Total Tax Rate*:	\$ 3.0638	\$ 3.0638	\$ 3.0163	\$ 3.0142	\$ 6.1961	\$ 16.9803	\$ 16.9916	\$ 17.1457	\$ 15.7130	\$ 17.7082

Note: Data per the Lake County Auditor's Office.

Note: Rates are based per \$100 of net assessed valuation

Note: Sanitary District is a Component Unit is listed above.

* Total Rate includes rates of overlapping taxing units, net of state property tax replacement credit.

*** Beginning in FY 2002 the state bases rates on 100 % of the True Tax value instead of the former 33 1/3 percent.

**** Assessed valuation affected by general reassessment.

**Town of Highland
Ten Largest Taxpayers
Current Year and Nine Years Ago**

2006					
Taxpayer	Product or Service	Real & Impmnt Assessed Value	Personal Property Assessed Value	Total Assessed Value	Percent of Town's Tax Base
Meijer's Stores	Retail Hypermarket	\$ 13,278,900	\$ -	\$ 13,278,900	1.14%
Hampton - In - Highland	Rental Housing Association	\$ 18,662,500	\$ -	\$ 18,662,500	1.60%
Highland Grove, L.L.C.	Shopping Center	\$ 17,055,300	\$ -	\$ 17,055,300	1.46%
ATG Development Corp.	Developer	\$ 11,282,600	\$ -	\$ 11,282,600	0.97%
Dayton Hudson (Target)	Retailer Department Store	\$ 7,775,400	\$ -	\$ 7,775,400	0.67%
Opus North Development	Retail Shopping Mall	\$ 6,812,500	\$ -	\$ 6,812,500	0.58%
ACME Markets Jewel Foods	Retail Grocer	\$ 6,735,400	\$ -	\$ 6,735,400	0.58%
SVC, LLC	Warehousing	\$ 1,133,400	\$ -	\$ 1,133,400	0.10%
Indiana Bell (SBC)	Telephone Utility	\$ -	\$ 375,700	\$ 375,700	0.03%
Northern Indiana Public Service Co	Natural Gas/Electric Utility	\$ -	\$ 1,412,200	\$ 1,412,200	0.12%
		<u>\$82,736,000.</u>	<u>\$1,787,900.</u>	<u>\$84,523,900.</u>	7.23%

1997					
Taxpayer	Product or Service	Real & Impmnt Assessed Value	Personal Property Assessed Value	Total Assessed Value	Percent of Town's Tax Base
Hampton - In - Highland	Rental Housing Association	\$ 3,157,450	\$ -	\$ 9,472,350	2.36%
Strack & Van Til	Retail Grocer	\$ 2,581,860	\$ -	\$ 7,745,580	1.93% **
Indiana Bell (Ameritech)	Telephone Utility	\$ 2,379,690	\$ -	\$ 7,139,070	1.78%
Kohl's Department Store	Retail Department Store	\$ 2,252,270	\$ -	\$ 6,756,810	1.69%
Northern Indiana Public Service Co	Natural Gas/Electric Utility	\$ -	\$ 1,930,750	\$ 5,792,250	1.45%
Terry Shaver Pontiac, Inc.	Automobile Retailer	\$ 1,480,700	\$ -	\$ 4,442,100	1.11%
Dayton-Hudson Corp. (Target)	Retail Department Store	\$ 1,431,390	\$ -	\$ 4,294,170	1.07%
Webb Ford	Automobile Retailer	\$ 1,239,690	\$ -	\$ 3,719,070	0.93%
Griffland Center, Inc	Retail & Strip Mall	\$ 1,202,260	\$ -	\$ 3,606,780	0.90%
Christenson Chevrolet	Automobile Retailer	\$ 1,020,880	\$ -	\$ 3,062,640	0.76%
		<u>\$13,588,740.</u>	<u>\$1,930,750.</u>	<u>\$46,558,470.</u>	13.99%

** In order to make assessed values seem equivalent, the values in 1997 are multiplied by 3.

In 1997 the assessed value used "true tax" as basis for valuation.

In 2006, assessed value employs a procedure to attain to market value. This may account for some of the variation.

Source: Office of the Lake County Assessor

**Town of Highland
Ratio of Net Bond Debt and Note Debt to Assessed Value
and Net Bond and Note Debt per Capita
Last Ten Fiscal Years FY 1997 to 2006**

Fiscal Year Ended Dec. 31	Population	Assessed Value for Subsequent Debt Reduction **	Gross Bond & Note Debt	Less Debt Service Funds	Net Bond & Note Debt	Net Bond & Note Debt to Assessed Value	Net Bond & Note Debt per Capita
2006	23,546	\$1,171,154,002	\$ 7,561,367	\$ 1,076,406	\$ 6,484,961	0.5537%	\$275
2005	23,546	\$1,168,849,845	\$ 5,208,731	\$ 1,312,064	\$ 3,896,667	0.3334%	\$165
2004	23,546	\$1,169,529,058	\$ 4,040,000	\$ 684,871	\$ 3,355,129	0.2869%	\$142
2003	23,546	\$1,177,057,220	\$ 5,615,000	\$ 1,168,135	\$ 4,446,865	0.3778%	\$189
2002	23,546	\$167,038,711	\$ 7,322,818	\$ 1,774,341	\$ 5,548,477	3.3217%	\$236
2001	23,696	\$159,870,808	\$ 7,840,537 *	\$ 1,708,627	\$ 6,131,910	3.8355%	\$259
2000	23,696	\$153,500,420	\$ 8,898,380 *	\$ 2,282,639	\$ 6,615,741	4.3099%	\$279
1999	23,696	\$144,823,860	\$ 10,566,223 *	\$ 2,022,881	\$ 8,543,342	5.8991%	\$361
1998	23,696	\$140,476,260	\$ 9,335,515	\$ 1,685,391	\$ 7,650,124	5.4458%	\$323
1997	23,696	\$133,508,560	\$ 8,797,470	\$ 1,533,484	\$ 7,263,986	5.4408%	\$307

* Includes General Obligation as well as a Note obligation of the Municipality
Amounts above include the Sanitary and Water District as well as the General Obligation Debt of the Corporation.

** For the purpose of evaluating debt, Indiana actually still relies on 1/3 the assessed value to determine permissible debt limits under Indiana Const. Article XIII. Confer IC 36-1-15-4 called adjusted value.

No Revenue Debt is included.
This does not include temporary Loans for cash flow purposes as these are short term debt.

**Town of Highland
Computation of Legal Debt Margin
at December 31, 2006**

(In tax abstract)
True Tax Assessed Value: 1,171,154,002
Adjusted Value:* \$ 390,384,667

	<u>Corporation Town of Highland</u>	<u>Parks & Rec. District</u>	<u>Redevelopment District</u>	<u>Waterworks District</u>	<u>Sanitary District</u>
Assessed Valuation	390,384,667	390,384,667	390,384,667	390,384,667	390,384,667
Debt Limit Percentage	2.00%	2.00%	2.00%	8.00%	12.00%
Debt Limit	\$ 7,807,693	\$ 7,807,693	\$ 7,807,693	\$ 31,230,773	\$ 46,846,160
Bonds Outstanding	\$ 1,437,903	\$ 1,850,000	\$ 2,876,591	\$ 279,873	\$ 1,117,000
Subtotal	\$ 6,369,790	\$ 5,957,693	\$ 4,931,102	\$ 30,950,900	\$ 45,729,160
Amount Available in Debt Service Fund	\$ 283,346	* \$ 203,707	\$ 313,102	\$ 236,071	\$ 120,115
Legal Debt Margin	\$ 6,653,136	\$ 6,161,400	\$ 5,244,204	\$ 31,186,971	\$ 45,849,275

* This fund now pays both special taxing district debt as well as capital lease payments made pursuant to I.C. 36-1-10, to the Parks and Recreation Building Corporation, which is a blended component unit of the municipality. The municipality supports the corporation's debt service through a capital lease. The Bonds outstanding represent only those that are obligations of the special taxing district. It does not include the Revenue or Mortgage Debt of the Holding Corp. Lease rental supports the debt service payments and the eventual acquisition of the facility held by the corporation.

Please Note: The civil town debt limit is established by the Indiana Constitution (Article XIII debt). The debt of the other entities is considered debt incurred by political subdivisions with special taxing districts. These are considered statutory debt limits and that is why the debt limit percentage can exceed the 2% limit of the municipal corporation.

▲ For the purpose of evaluating debt, Indiana actually still relies on 1/3 the assessed value to determine permissible debt limits under Indiana Const. Article XIII. The AV is 1,171,415,645. Confer IC 36-1-15-4 called adjusted value.

**Town of Highland
 Computation of Direct and Overlapping Debt
 Payable from or backed by Property Taxes
 as of December 31, 2006**

	<u>Assessed Valuation</u>	<u>Bonds Outstanding</u>	<u>Percent Applicable to Highland</u>	<u>Amount Applicable to Highland</u>
Town of Highland*	\$ 1,171,154,002	\$ 7,561,367	100.00%	\$ 7,561,367
School Town of Highland	\$ 1,171,154,002	\$ 31,825,955	100.00%	\$ 31,825,955
	Subtotal:	\$ 39,387,322	Subtotal:	\$ 39,387,322
North Township	\$ 6,475,656,019	\$ -	18.09%	\$ -
Lake County Library	\$ 10,894,629,118	\$ 29,275,000	10.75%	\$ 3,147,012
Lake County	\$ 19,210,322,805	\$ 86,622,697 **	6.10%	\$ 5,280,938
	Subtotal:	\$ 115,897,697	Subtotal:	\$ 8,427,950
	Grand Total	\$ 155,285,019	Grand Total	\$ 47,815,272
				30.79%

* Includes Parks District, Redevelopment District, Sanitary District and that portion of Water District Bonds payable from property taxes.

** Amount includes a \$ 7,975,000 property tax backed bond issue for which riverboat gaming revenues will be largely used for debt service. It also includes a revenue (mortgage) bond for the Juvenile Facility in the amount of \$12,990,000. It is included because the lease is tied to a property levy.

The Town of Highland through its Parks & Recreation Bldg. Corp has outstanding revenue debt in the amount of \$1,580,000
 Sources: Lake County Auditor and Office of the Highland Clerk-Treasurer

**Town of Highland
Ratio of Annual Debt Service Expenditures
for Governmental Bond and Note Debt to Governmental Expenditures
Last Ten Fiscal Years 1997 to 2006**

Fiscal Year Ended Dec. 31	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Services to General Expenditures
2006	\$1,084,000.	\$226,404.	\$1,310,404.	\$14,700,100.	8.91%
2005	\$1,000,000.	\$231,879.	\$1,231,879.	\$14,016,537.	8.79%
2004	\$925,000.	\$278,173.	\$1,203,173.	\$10,044,825.	11.98%
2003	\$840,000.	\$311,762.	\$1,151,762.	\$11,869,689.	9.70%
2002	\$1,215,000.	\$405,077.	\$1,620,077.	\$12,584,987.	12.87%
2001	\$1,795,000.	\$441,942.	\$2,236,942.	\$13,916,494.	16.07%
2000	\$1,750,000.	\$520,615.	\$2,270,615.	\$14,666,376.	15.48%
1999	\$1,732,000.	\$367,958.	\$2,099,958.	\$14,990,260.	14.01%
1998	\$1,405,000.	\$659,978.	\$2,064,978.	\$13,726,364.	15.04%
1997	\$1,260,000.	\$423,394.	\$1,683,394.	\$10,458,823.	16.10%

General Expenditures includes the governmental activities and excludes the business type expenditures.

Governmental debt service excludes debt service of the utilities.

**Town of Highland
Ratio of Annual Debt Service Expenditures
for Business Type (Utilities) Bond and Note Debt to Business Type (Utilities) Expenditures**

Fiscal Year Ended Dec. 31	Principal	Interest	Total Debt Service	Total Utilities' Expenditures	Ratio of Debt Services to Utilities' Expenditures
2006	\$513,000.	\$62,649.	\$575,649.	\$5,835,974.	9.86%
2005	\$865,000.	\$68,500.	\$933,500.	\$4,968,870.	18.79%
2004	\$1,370,000.	\$125,985.	\$1,495,985.	\$4,629,409.	32.31%
2003	\$1,300,000.	\$237,724.	\$1,537,724.	\$5,652,080.	27.21%

These exclude capital lease purchases

This report should reflect 10 years of data. However, data not available prior to 2003 in part owing to the reporting model.

**Town of Highland
Revenue Bond Coverage
Water Utility
Last Ten Fiscal Years**

Fiscal Year	Operating Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements		Coverage
				Principal	Interest	
2006	\$ 2,531,464	\$ 2,143,308	\$ 388,156	\$ 190,000	\$ 5,415	1.99
2005	\$ 2,708,956	\$ 2,168,476	\$ 540,480	\$ 615,000	\$ 36,730	0.83
2004	\$ 2,530,590	\$ 2,107,284	\$ 423,306	\$ 580,000	\$ 69,195	0.65
2003	\$ 3,171,106	\$ 2,761,550	\$ 409,556	\$ 550,000	\$ 163,784	0.57
2002	\$ 2,607,978	\$ 2,055,698	\$ 552,280	\$ 520,000	\$ 126,875	0.85
2001	\$ 2,496,122	\$ 2,084,923	\$ 411,199	\$ 500,000	\$ 152,760	0.63
2000	\$ 2,411,382	\$ 1,923,141	\$ 488,241	\$ 470,000	\$ 176,761	0.75
1999	\$ 2,424,520	\$ 2,053,293	\$ 371,227	\$ 450,000	\$ 200,696	0.57
1998	\$ 2,308,675	\$ 1,715,655	\$ 593,020	\$ 440,000	\$ 219,618	0.90
1997	\$ 2,185,484	\$ 1,663,771	\$ 521,713	\$ 405,000	\$ 238,395	0.81

Coverage is the Ratio of Net Revenue to Total Debt Service Required for the period. As the number equals or exceeds one, the ratio is considered favorable.

It should be noted that the revenue debt was fully matured January 2006.

The excludes Special Taxing District Debt which is repaid with an unlimited ad valorem tax.

**Town of Highland
Revenue Bond Coverage
Parks and Recreation Building Corporation
A blended component unit of the municipality**

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements		Total	Coverage
				Principal	Interest		
2006	\$ 79,472	\$ 5,451	\$ 74,021	\$ 165,000	\$ 85,788	\$ 250,788	0.30
2005	\$ 77,920	\$ 5,672	\$ 72,248	\$ 155,000	\$ 93,987	\$ 248,987	0.29
2004	\$ 77,189	\$ 8,728	\$ 68,461	\$ 140,000	\$ 101,548	\$ 241,548	0.28
2003	\$ 75,363	\$ 120,179	\$ (44,816)	\$ 130,000	\$ 108,466	\$ 238,466	-0.19
2002	\$ 74,358	\$ 8,222	\$ 66,136	\$ 120,000	\$ 114,872	\$ 234,872	0.28
2001	\$ 73,262	\$ 24,638	\$ 48,624	\$ 110,000	\$ 120,753	\$ 230,753	0.21
2000	\$ 78,001	\$ 16,210	\$ 61,791	\$ 105,000	\$ 126,234	\$ 231,234	0.27
1999	\$ 77,327	\$ 9,077	\$ 68,250	\$ 95,000	\$ 131,335	\$ 226,335	0.30
1998	\$ 107,349	\$ 1,250	\$ 106,099	\$ -	\$ 150,106	\$ 150,106	0.71

Coverage is the Ratio of Net Revenue to Total Debt Service Required for the period. As the number equals or exceeds one, the ratio is considered favorable.

The corporation as an entity did not exist prior to 1998.

Town of Highland List of Largest Employers in Highland Current Year and Nine Years Ago

2006		
Employer	Type of Business	Reported Employment
Strack & Van Til/Ultra Foods, Inc.	Groceries/Warehouse	605 (1)
Meijer's	Groceries	300
School Town of Highland	Public Education K-12	403 (2)
JWP/Hyre Electric Company	Electrical Services Contractor	350
Town of Highland	Municipal Government	268 (3)
Jewel Foods/Osco Drugs	Groceries/Drugs	225
First Financial Bank (Formerly Sandridge)	Financial & Banking	308
Target Store (Dayton Hudson)	Retailer	180
Kohl's Department Store	Retailer	125
Bennigan's	Restaurant	125
Levin Tire Center	Auto Tire Retailer	99
Webb Ford, Inc.	Auto Dealership	90
1997		
Employer	Type of Business	Reported Employment
School Town of Highland	Public Education K-12	579 (2)
JWP/Hire Electric Coompany	Electrical Contractor	300
Target Store (Dayton Hudson)	Retailer	200
Town of Highland	Municipal Government	157 (4)
Kohl's Department Store	Retailer	150
Fieldhouse Incorporated	HVAC Contractor/Services	100
Webb Ford, Inc.	Auto Dealership	80
Thomas Dodge of Highland	Auto Dealership	75
Terry Shaver Pontiac, Inc.	Auto Dealership	74
Christenson Chevrolet, Inc.	Auto Dealership	70

- (1) Total includes employees at Strack & Van Til store and corporate offices; and employees at Ultra Foods.
- (2) This total includes certified teachers, administrators and non-certified employees
- (3) Of the 268 total employees, 114 are full-timeworkers, one is a full-time elected official, 34 are part-time officials, 33 are part-time firefighters and 87 other part-time workers. Firefighters are paid on demand when needed but are on call 24 hours a day.
- (4) Of the 157 total employees, one is a full-time elected official, 50 are part-time firefighters. Firefighters are paid on demand when needed but are on call 24 hours a day.

**Town of Highland
Largest Employers in Highland Area
2006**

<u>Employer</u>	<u>Location</u>	<u>Product or Service</u>	<u>Employment Reported</u>
Mittal Steel (Formerly Ispat/Inland Steel & ISG)	East Chicago	Steel Manufacturing	7,700
US Steel Gary Works (USX)	Gary	Steel Manufacturing	4,000
Methodist Hospital	Gary/Merrillville	Hospital/Medical Services	3,000
Northern Indiana Public Service	Merrillville	Electric/Gas Utility	2,498
Horse Shoe Casino	Hammond	Entertainment/Gaming	2,300
St. Margaret Mercy Hospital	Hammond	Hospital/Medical Services	2,114
Resorts Casino	East Chicago	Entertainment/Gaming	1,900
BP Amoco	Whiting	Oil Refinery	1,894
Majestic Star I & II Casinos	Gary	Entertainment/Gaming	1,400
St. Anthony Medical Center	Crown Point	Hospital/Medical Services	1,394
The Community Hospital	Munster	Hospital/Medical Services	996
St. Mary Medical Center	Hobart	Hospital/Medical Services	923
St. Catherine Medical Center	East Chicago	Hospital/Medical Services	851
St. Margaret Mercy Health Center	Dyer Campus	Medical Services	647
Unilever	Hammond	Soap Manufacturer	350
PepsiAmericas, Inc.	Munster	Beverage Production	300
Cerestar USA (Cargill)	Hammond	Corn Products Processor	260

Northwestern Indiana Regional Planning Commission

**Town of Highland
Schedule of Building Permits
Last Ten Fiscal Years FY 1997 to 2006**

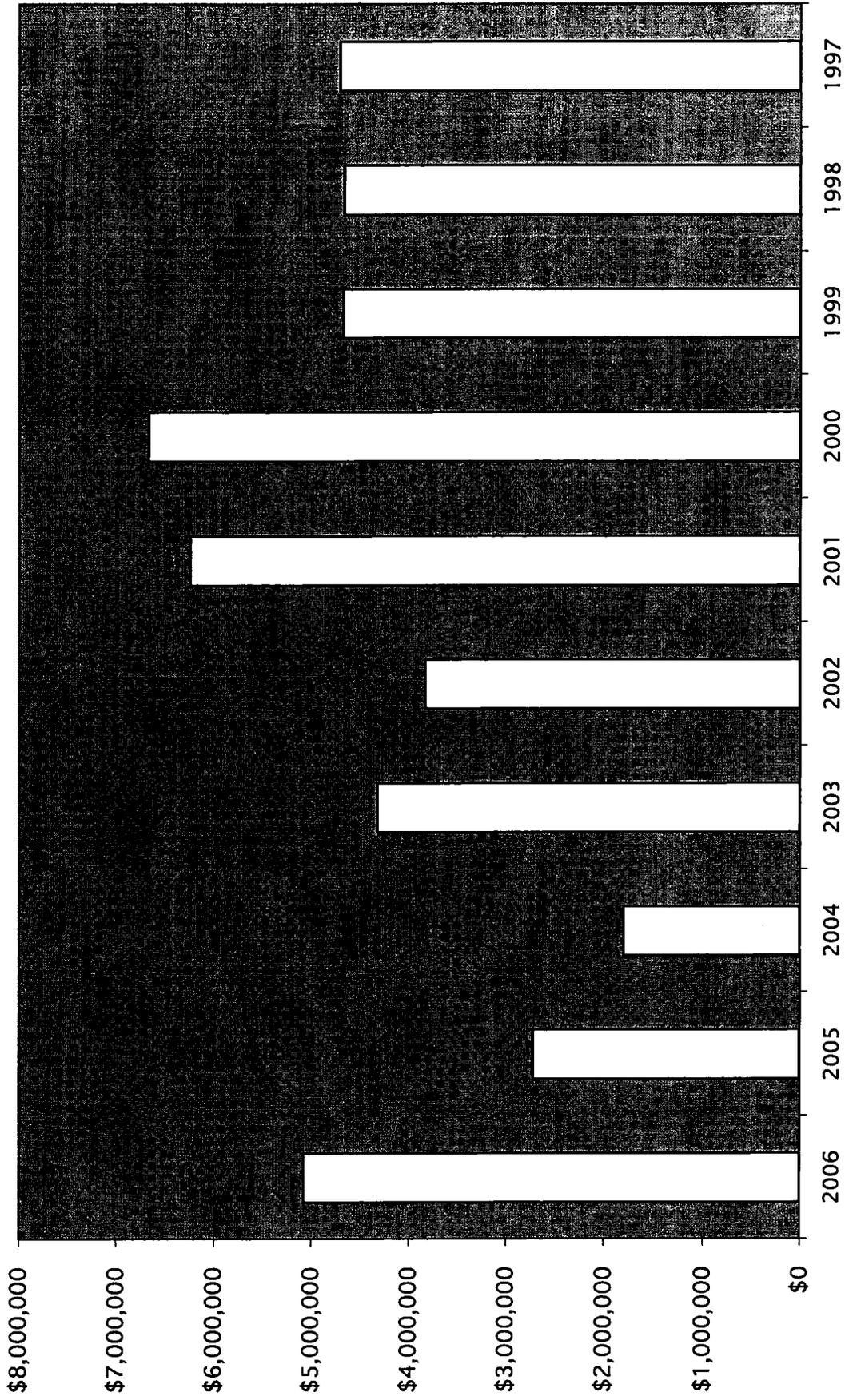
Year	Residential		Multiple Family	
	Single Family Permits	Value	Permits	Value
2006	26	\$ 5,079,102	1	\$ 247,000
2005	18	\$ 2,716,425	1	\$ 240,000
2004	12	\$ 1,796,000	4	\$ 2,300,000
2003	25	\$ 4,316,252	2	\$ 900,000
2002	21	\$ 3,827,454	3	\$ 1,060,000
2001	48	\$ 6,240,724	9	\$ 2,610,000
2000	43	\$ 6,674,505	13	\$ 3,546,210
1999	30	\$ 4,670,500	48	\$ 17,275,180
1998	30	\$ 4,661,128	66	\$ 19,874,500
1997	24	\$ 4,709,786	45	\$ 15,442,157

Year	Institutional, Commercial, Industrial		Miscellaneous		Totals	
	Permits	Value	Permits	Value	Permits	Value
2006	3	\$ 2,097,900 *	1,343	\$ 8,703,530	1,373	\$ 16,127,532
2005	3	\$ 4,500,000	985	\$ 6,589,561	1,007	\$ 14,045,986
2004	6	\$ 6,596,000	916	\$ 6,942,428	938	\$ 17,634,428
2003	2	\$ 701,235	851	\$ 6,444,562	880	\$ 12,362,049
2002	2	\$ 922,000	803	\$ 5,665,596	829	\$ 11,475,050
2001	4	\$ 3,392,500	802	\$ 5,040,664	863	\$ 17,283,888
2000	10	\$ 3,033,133	671	\$ 4,163,324	737	\$ 17,417,172
1999	6	\$ 6,381,125	573	\$ 4,907,342	657	\$ 33,234,147
1998	4	\$ 9,056,756	669	\$ 11,137,059	769	\$ 44,729,443
1997	4	\$ 4,276,433	600	\$ 4,656,466	673	\$ 29,084,842

Note: Data from annual building reports prepared by building commissioner.

* Institutional Value above includes Reconstruction at Main Square Park and its Gazebo plus other improvements amounting to \$897,900

Residential Building Permits



**Town of Highland
Ten Largest Users of Water
Water Utility
December 31, 2006**

User	Business	Consumption (1,000 Gallons)	Billed Revenue	Percentage of Billed Flow
Town of Dyer	Municipality	534,292	\$402,321	38.56%
Hampton in Highland	Apartment Complex	18,890	\$28,399	1.36%
Porte d' leau	Town House Assn	9,646	\$15,711	0.70%
Meijer Inc., #170A	Retail Grocer	8,020	\$10,932	0.58%
School Town of Highland	Public Schools	7,271	\$18,133	0.52%
Pleasant View Dairy	Dairy Products	6,702	\$9,044	0.48%
Meyers Development Corp.	Commercial/Condo	5,743	\$11,097	0.41%
Wildwood Condo Association	Condominiums	4,788	\$9,883	0.35%
ATG/Embassy Place	Condominiums	4,424	\$8,656	0.32%
Georgetown Condos	Condominiums	3,898	\$7,419	0.28%

Note: Total billed flow for the 12 months ending December 31, 2006, was 1,385,768,000 gallons.

**Town of Highland
Ten Largest Users of Water
Water Utility
December 31, 2005**

User	Business	Consumption (1,000 Gallons)	Billed Revenue	Percentage of Billed Flow
Town of Dyer	Municipality	596,555	\$423,385	42.87%
Hampton in Highland	Apartment Complex	21,092	\$32,006	1.52%
School Town of Highland	Public Schools	8,806	\$17,187	0.63%
Porte d' leau	Town House Assn	10,593	\$16,492	0.76%
Pleasant View Dairy	Dairy Products	8,172	\$10,937	0.59%
Meyers Development Corp.	Commercial/Condo	5,112	\$10,303	0.37%
Meijer Inc., #170A	Retail Grocer	7,274	\$10,172	0.52%
Wildwood Condo Association	Condominiums	4,768	\$9,290	0.34%
ATG/Embassy Place	Condominiums	4,152	\$7,419	0.30%
Georgetown Condos	Condominiums	3,898	\$7,867	0.28%

Note: Total billed flow for the 12 months ending December 31, 2005, was 1,556,798,000 gallons.

**Town of Highland
Ten Largest Users of Water
Water Utility
December 31, 2004**

User	Business	Consumption (1,000 Gallons)	Billed Revenue	Percentage of Billed Flow
Town of Dyer	Municipality	518,251	\$400,245	37.25%
Hampton in Highland	Apartment Complex	21,776	\$ 33,147	1.57%
Porte d'leau	Town House Assn	9,644	\$ 17,790	0.69%
Pleasant View Dairy	Dairy Products	9,600	\$ 12,888	0.69%
School Town of Highland	Public Schools	9,188	\$ 19,240	0.66%
Meijer Inc., #170A	Retail Grocer	6,655	\$ 9,151	0.48%
Meyers Development Corp.	Commercial/Condo	4,886	\$ 9,644	0.35%
Wildwood Condo Association	Condominiums	4,233	\$ 9,185	0.30%
Georgetown Condos	Condominiums	3,603	\$ 6,830	0.26%
Les Chateau	Condominiums	3,723	\$ 6,724	0.27%

Note: Total billed flow for the 12 months ending December 31, 2004, was 1,391,411,000 gallons.

**Town of Highland
Ten Largest Users of Water
Water Utility
December 31, 2003**

<u>User</u>	<u>Business</u>	<u>Consumption (1,000 Gallons)</u>	<u>Billed Revenue</u>	<u>Percentage of Billed Flow</u>
Town of Dyer	Municipality	483,119	\$373,113	35.36%
Hampton in Highland	Apartment Complex	22,736	\$ 34,505	1.66%
School Town of Highland	Public Schools	10,139	\$ 19,757	0.74%
Porte d' leau	Town House Assn	9,450	\$ 15,341	0.69%
Pleasant View Dairy	Dairy Products	8,734	\$ 11,719	0.64%
Meyers Development Corp.	Commercial/Condo	5,092	\$ 10,064	0.37%
Meijer Inc., #170A	Retail Grocer	4,545	\$ 6,180	0.33%
Wildwood Condo Association	Condominiums	4,425	\$ 9,543	0.32%
Spot Not Car Wash	Car wash	4,003	\$ 5,417	0.29%
Les Chateau	Condominiums	3,851	\$ 7,054	0.28%

Note: Total billed flow for the 12 months ending December 31, 2003, was 1,366,408,000 gallons.

**Town of Highland
Ten Largest Users of Water
Water Utility
December 31, 2002**

User	Business	Consumption (1,000 Gallons)	Billed Revenue	Percentage of Billed Flow
Town of Dyer	Municipality	525,302	\$405,691	34.71%
Hampton in Highland	Apartment Complex	24,509	\$ 36,662	1.62%
School Town of Highland	Public Schools	10,922	\$ 21,030	0.72%
Porte d' leau	Town House Assn	9,478	\$ 14,387	0.63%
Pleasant View Dairy	Dairy Products	8,881	\$ 13,202	0.59%
Meyers Development Corp.	Commercial/Condo	5,185	\$ 10,257	0.34%
Meijer Inc., #170A	Retail Grocer	4,545	\$ 6,180	0.30%
Wildwood Condo Association	Condominiums	4,418	\$ 9,876	0.29%
ATG/Embassy Place	Condominiums	4,370	\$ 8,492	0.29%
Les Chateau	Condominiums	4,097	\$ 7,522	0.27%

Note: Total billed flow for the 12 months ending December 31, 2002, was 1,513,394,000 gallons.

**Town of Highland
Ten Largest Users of Water
Water Utility
December 31, 2001**

User	Business	Consumption (1,000 Gallons)	Billed Revenue	Percentage of Billed Flow
Town of Dyer	Municipality	453,166	\$376,955	32.45%
Hampton in Highland	Apartment Complex	23,592	\$ 35,149	1.69%
School Town of Highland	Public Schools	10,799	\$ 26,759	0.77%
Pleasant View Dairy	Dairy Products	8,335	\$ 11,159	0.60%
Porte d' leau	Town House Assn	7,596	\$ 12,692	0.54%
Meyers Development Corp.	Commercial/Condo	6,570	\$ 12,612	0.47%
Spot-Not Car Wash	Car Wash	5,064	\$ 6,790	0.36%
ATG/Embassy Place	Condominiums	4,840	\$ 8,830	0.35%
Ultra Foods	Retail Grocer	4,072	\$ 5,715	0.29%
Les Chateau	Condominiums	3,990	\$ 7,064	0.29%

Note: Total billed flow for the 12 months ending December 31, 2001, was 1,396,439,000 gallons.

**Town of Highland
Ten Largest Users of Water
Water Utility
December 31, 2000**

<u>User</u>	<u>Business</u>	<u>Consumption (1,000 Gallons)</u>	<u>Billed Revenue</u>	<u>Percentage of Billed Flow</u>
Town of Dyer	Municipality	462,988	\$357,566	34.04%
Hampton in Highland	Apartment Complex	25,552	\$38,096	1.88%
School Town of Highland	Public Schools	10,613	\$21,523	0.78%
Pleasant View Dairy	Dairy Products	8,922	\$11,918	0.66%
Porte d' leau	Town House Assn	8,633	\$14,471	0.63%
Spot-Not Car Wash	Car Wash	5,200	\$7,470	0.38%
ATG/Embassy Place	Condominiums	5,175	\$8,994	0.38%
Meyers Development Corp.	Commercial/Condo	5,065	\$9,979	0.37%
Les Chateau	Condominiums	4,779	\$7,152	0.35%
Ultra Foods	Retail Grocer	4,384	\$6,169	0.32%

Note: Total billed flow for the 12 months ending December 31, 2000, was 1,360,244,000 gallons.

**Town of Highland
Ten Largest Users of Water
Water Utility
December 31, 1999**

User	Business	Consumption (1,000 Gallons)	Billed Revenue	Percentage of Billed Flow
Town of Dyer	Municipality	470,136	\$353,489	33.51%
Hampton in Highland	Apartment Complex	25,327	\$ 38,382	1.81%
School Town of Highland	Public Schools	10,714	\$ 21,709	0.76%
Pleasant View Dairy	Dairy Products	10,429	\$ 13,879	0.74%
Porte d' leau	Town House Assn	9,010	\$ 14,541	0.64%
Meyers Development	Condominiums	6,414	\$ 11,947	0.46%
Spot-Not Car Wash	Car Wash	5,688	\$ 7,373	0.41%
Ultra Foods	Retail Grocer	4,598	\$ 6,449	0.33%
Les Chateau	Condominiums	3,816	\$ 6,812	0.27%
ATG/Embassy Place	Condominiums	3,816	\$ 6,557	0.27%

Note: Total billed flow for the 12 months ending December 31, 1999, was 1,403,123,000 gallons.

**Town of Highland
Ten Largest Users of Water
Water Utility
December 31, 1998**

<u>User</u>	<u>Business</u>	<u>Consumption (1,000 Gallons)</u>	<u>Billed Revenue</u>	<u>Percentage of Billed Flow</u>
Town of Dyer	Municipality	425,039	\$328,258	32.31%
Hampton in Highland	Apartment Complex	23,827	\$ 37,930	1.81%
School Town of Highland	Public Schools	11,638	\$ 22,767	0.88%
Porte d' leau	Apartment Complex	9,953	\$ 15,306	0.76%
Pleasant View Dairy	Dairy Products	9,244	\$ 11,412	0.70%
Spot-Not Car Wash	Car Wash	5,921	\$ 7,896	0.45%
Ultra Foods, Inc.	Retail Grocer	5,008	\$ 6,974	0.38%
Chateau Bordeau	Condominiums	3,788	\$ 6,741	0.29%
Meyers Development	Condominiums	3,257	\$ 7,328	0.25%
Round the Clock Restaurant	Restaurant	2,334	\$ 3,269	0.18%

Note: Total billed flow for the 12 months ending December 31, 1998, was 1,315,624,000 gallons.

**Town of Highland
Ten Largest Users of Water
Water Utility
December 31, 1997**

<u>User</u>	<u>Business</u>	<u>Consumption (1,000 Gallons)</u>	<u>Billed Revenue</u>	<u>Percentage of Billed Flow</u>
Town of Dyer	Municipality	409,593	\$308,606	32.87%
Hampton in Highland	Apartment Complex	23,768	\$ 37,501	1.91%
Porte d' leau	Retail Center	9,740	\$ 15,238	0.78%
School Town of Highland	Public Education	8,576	\$ 19,260	0.69%
Pleasant View Dairy	Dairy Products	6,225	\$ 8,344	0.50%
Spot-Not Car Wash	Car Wash	5,631	\$ 7,522	0.45%
Ultra Foods, Inc.	Retail Grocer	3,423	\$ 4,907	0.27%
Chateau Bordeau	Condominiums	3,247	\$ 5,766	0.26%
Meyers Development	Condominiums	3,137	\$ 6,100	0.25%
ABJL (Turbo Wash)	Car Wash	2,296	\$ 3,477	0.18%

Note: Total billed flow for the 12 months ending December 31, 1997, was 1,246,143,000 gallons.

**Town of Highland
Statistics by Economic Sector**

Industry Description	Number of Establishments		Number of Employees		Annual Payroll		Shipments/Sales/Receipts	
	Highland	Lake County	Highland	Lake County	Highland	Lake County	Highland	Lake County
Retail Trade	141	1,764	3,170	26,304	\$ 63,465,000	\$ 493,029,000	\$ 804,797,000	\$ 5,456,028,000
Real Estate, Rental and Leasing	26	405	87	2,016	\$ 1,414,000	\$ 46,834,000	\$ 8,859,000	\$ 259,110,000
Professional, scientific & technical	82	882	374	7,381	\$ 11,335,000	\$ 204,574,000	\$ 29,504,000	\$ 514,089,000
Administrative, Support and Waste Remediation Svcs	37	434	533	7,123	\$ 9,619,000	\$ 154,819,000	\$ 23,239,000	\$ 426,765,000
Educational Services*	6	77	91	D	\$ 789,000	\$500,000 - \$999,999	\$ 2,161,000	D
Health care & Social assistance	68	1,126	457	26,938	\$ 10,961,000	\$ 911,971,000	\$ 30,743,000	\$ 2,192,792,000
Arts, Entertainment, Recreation	5	101	D	4,999	\$100,000-\$249,000	\$ 114,647,000	D	\$ 551,245,000
Accommodation and Food Services	58	912	1,152	18,890	\$ 9,494,000	\$ 221,490,000	\$ 33,655,000	\$ 926,744,000
Other Services (Excludes Public Admin)	66	871	483	7,896	\$ 9,531,000	\$ 159,910,000	\$ 25,856,000	\$ 467,541,000
Wholesale Trade	32	478	275	5,933	\$ 7,991,000	\$ 450,224,000	\$ 208,279,000	\$ 3,538,212,000
Manufacturing	-	412	-	27,275	\$ -	\$ 1,358,631,000	\$ -	\$ 13,481,042,000
Information	7	113	36	2,384	\$ 823,000	\$ 76,955,000	N/A	N/A

* Excludes Elementary and Secondary Schools, Junior Colleges, Colleges, Universities and Professional Schools.
D Withheld to avoid disclosure of individual companies.
N/A Not Available

Source: U.S. Bureau of the Census, 2002 Economic Census, ECo2-IN. Geographic Area Series

**Town of Highland
Local Financial Institutions
Assets in the Town**

Institutions	Assets in Highland as of 30 June 06	Pctge of Total	Assets in Highland as of 30 June 05	Pctge of Total	Number of Offices
First Financial Bank NA*	\$ 289,161,000	38.78%	\$ 298,978,000	43.33%	3
Centier Bank	\$ 135,809,000	18.21%	\$ 125,748,000	18.23%	2
First Midwest Bank**	\$ 149,080,000	19.99%	\$ 108,591,000	15.74%	3
Fifth/Third Bank	\$ 45,041,000	6.04%	\$ 39,191,000	5.68%	1
Standard Bank & Trust	\$ 36,020,000	4.83%	\$ 36,584,000	5.30%	1
JP Morgan Chase Bank NA***	\$ 34,296,000	4.60%	\$ 31,125,000	4.51%	1
Citizens Financial Services , FSB	\$ 24,581,000	3.30%	\$ 20,897,000	3.03%	1
Lake Federal Bank FSB	\$ 15,433,000	2.07%	\$ 13,660,000	1.98%	1
First Federal Savings and Loan Assn.	\$ 13,855,000	1.86%	\$ 13,293,000	1.93%	1
TCF National Bank	\$ 2,388,000	0.32%	\$ 1,873,000	0.27%	1
	\$ 745,664,000		\$ 689,940,000		15

Source: Federal Deposit Insurance Corporation/Office of Thrift Supervision

**Town of Highland
Intended Federal Funds Rate
Last Ten Years 1997 - 2006**

Months	2006	Change (in basis points)	2005	2004	2003	2002	2001	2000	1999	1998	1997
January	4.50%	25.00	2.25%	1.00%	1.25%	1.75%	6.00%	5.50%	4.75%	5.50%	5.25%
February	4.50%	0.00	2.50%	1.00%	1.25%	1.75%	5.50%	5.75%	4.75%	5.50%	5.25%
March	4.75%	25.00	2.75%	1.00%	1.25%	1.75%	5.00%	6.00%	4.75%	5.50%	5.50%
April	4.75%	0.00	2.75%	1.00%	1.25%	1.75%	4.50%	6.00%	4.75%	5.50%	5.50%
May	5.00%	25.00	3.00%	1.00%	1.25%	1.75%	4.00%	6.50%	4.75%	5.50%	5.50%
June	5.25%	25.00	3.25%	1.25%	1.00%	1.75%	3.75%	6.50%	5.00%	5.50%	5.50%
July	5.25%	0.00	3.25%	1.25%	1.00%	1.75%	3.75%	6.50%	5.00%	5.50%	5.50%
August	5.25%	0.00	3.50%	1.50%	1.00%	1.75%	3.50%	6.50%	5.25%	5.50%	5.50%
September	5.25%	0.00	3.75%	1.75%	1.00%	1.75%	3.00%	6.50%	5.25%	5.25%	5.50%
October	5.25%	0.00	3.75%	1.75%	1.00%	1.75%	2.50%	6.50%	5.25%	5.00%	5.50%
November	5.25%	0.00	4.00%	2.00%	1.00%	1.25%	2.00%	6.50%	5.50%	4.75%	5.50%
December	5.25%	0.00	4.25%	2.25%	1.00%	1.25%	1.75%	6.50%	5.50%	4.75%	5.50%
Number of Annual Changes	4		8	5	1	1	10	3	3	3	1

Source: Federal Open Market Committee of the Federal Reserve Board of Governors

**Town of Highland
Contact Units of Service
Office of the Clerk-Treasurer
For the Year Ending December 31, 2006**

<u>Service Area</u>	<u>Weekdays in person</u>	<u>Weekdays by phone</u>	<u>Saturdays in person</u>	<u>Saturdays by phone</u>	<u>Total Service Contacts</u>	<u>Pctge.</u>
Utility Collections	32,121	11,650	-	-	43,771	53.3%
Building & Inspections	6,782	6,847	-	-	13,629	16.6%
Public Works	3,775	1,241	-	-	5,016	6.1%
Yard Waste Tags	275	1,916	-	-	2,191	2.7%
Other Matters	8,316	9,124	-	-	17,440	21.3%
TOTALS:	51,269	30,778	-	-	82,047	
2005	25,778	51,654	-	-	77,432	
2004	24,868	20,327	688	271	46,154	
2003	43,053	26,348	1,611	680	71,692	
2002	9,970	4,814	324	90	15,198	
2001	24,197	19,730	668	271	44,866	
2000	24,918	19,363	839	239	45,359	
1999	11,892	7,668	590	120	20,270	
1998	18,587	11,811	782	250	31,430	
Year 2006 Contacts by Phone		30,778	38%	Year 2006 Contacts on Saturdays	-	0%
Year 2006 Contacts in Person		51,269	62%	Year 2006 Contacts in Weekdays	82,047	###

Service contacts are tracked by staff on a weekly basis using a tally sheet. A mark is made for each contact by category. The method admits of some error. So all numbers above should be construed as estimates. Owing to cash flow and spending concerns, **Saturday hours were suspended in June of 2004.** This affected the regular tallies by staff.

SANITARY DISTRICT
TOWN OF HIGHLAND
TEN YEAR STATISTICAL SUMMARY
(ENTERPRISE FUND ONLY)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Operating Revenues	\$ 2,961,916	\$ 3,009,709	\$ 2,230,218	\$ 2,145,852	\$ 2,193,742	\$ 2,063,314	\$ 2,159,744	\$ 2,165,596	\$ 2,113,670	\$ 2,030,332
Operating Expenses	3,626,763	2,658,792	2,351,970	2,606,103	1,656,334	2,200,209	2,106,133	2,081,461	1,798,761	1,710,696
Operating Income(Loss)	(664,847)	350,917	(121,752)	(460,251)	537,408	(136,895)	63,611	84,135	314,909	319,636
Nonoperating Revenues(Expenses)	293,088	245,420	393,725	677,781	23,173	84,872	133,650	87,937	25,746	44,174
Extraordinary Items	-	-	-	-	(240,000)	(240,000)	(230,000)	-	(40,000)	-
Operating Transfers Out	-	-	-	-	-	-	-	-	-	-
Net Income(Loss)	\$ (371,759)	\$ 596,337	\$ 271,973	\$ 217,530	\$ 320,581	\$ (292,023)	\$ (32,739)	\$ 172,072	\$ 300,655	\$ 363,810
Current Assets	\$ 636,814	\$ 598,875	\$ 414,630	\$ 250,640	\$ 327,809	\$ 321,734	\$ 459,552	\$ 459,631	\$ 460,761	\$ 1,895,522
Restricted Assets	939,762	2,248,038	622,935	749,409	239,360	1,347,692	1,873,927	1,853,921	1,833,082	18,363
Construction in Progress	57,789	401,739	378,833	521,645	1,176,212	16,513	18,329	5,545	-	-
Utility Plant in Service	20,110,943	18,357,155	18,235,323	10,716,152	9,791,680	9,524,633	8,946,862	8,552,960	6,038,593	5,866,523
Accumulated Depreciation	(10,051,739)	(9,635,350)	(9,166,230)	(5,763,876)	(5,520,685)	(5,395,097)	(5,170,283)	(4,926,016)	(3,871,498)	(3,692,522)
Deferred Debits	-	26,877	-	-	-	-	-	-	-	-
Total Assets	\$ 11,693,569	\$ 11,997,334	\$ 10,485,491	\$ 6,473,970	\$ 6,014,376	\$ 5,815,475	\$ 6,128,387	\$ 5,946,041	\$ 4,460,938	\$ 4,087,886
Current Liabilities	\$ 484,800	\$ 279,281	\$ 182,137	\$ 694,274	\$ 168,119	\$ 254,343	\$ 281,476	\$ 67,825	\$ 201,021	\$ 116,820
Long-Term Liabilities	1,012,291	1,125,604	40,882	46,583	38,617	34,073	52,310	69,551	17,163	28,967
Contributions	-	-	-	-	753,332	753,332	728,851	731,361	700,801	700,801
Retained Earnings	-	-	-	-	5,054,308	4,773,727	5,065,750	3,714,025	3,541,953	3,241,298
Total Net Assets	10,220,690	10,592,449	10,262,472	5,733,113	-	-	-	-	-	-
Total Liabilities, Contributions and Retained Earnings	\$ 11,717,781	\$ 11,997,334	\$ 10,485,491	\$ 6,473,970	\$ 6,014,376	\$ 5,815,475	\$ 6,128,387	\$ 4,582,762	\$ 4,460,938	\$ 4,087,886
Residual Equity Transfers Out:	\$ -	\$ -	\$ -	\$ -	\$ (40,000)	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Customers:	8053	7991	8,032	8,210	7,945	7,893	7,789	7,657	7,463	7,321
Residential	801	826	818	826	797	799	800	794	774	755
Commercial et alla	-	-	-	-	-	-	-	-	-	-
Totals	8,854	8,817	8,850	9,036	8,742	8,692	8,589	8,451	8,237	8,076

WATERWORKS UTILITY
TOWN OF HIGHLAND
TEN YEAR STATISTICAL SUMMARY

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Operating Revenues	\$ 2,531,464	\$ 2,708,956	\$ 2,530,590	\$ 3,171,106	\$ 2,607,978	\$ 2,496,122	\$ 2,411,382	\$ 2,424,520	\$ 2,308,675	\$ 2,185,484
Operating Expenses	2,143,308	2,168,476	2,107,284	2,761,550	2,055,698	2,084,923	1,923,141	2,063,293	1,715,655	1,663,771
Operating Income(Loss)	388,156	540,480	423,306	409,556	552,280	411,199	488,241	371,227	593,020	521,713
Nonoperating Revenues(Expenses)	339,503	219,419	130,284	(1,737)	46,319	51,380	7,667	(182,128)	(163,485)	(276,190)
Extraordinary Items										
Net Income(Loss)	\$ 727,659	\$ 759,899	\$ 553,590	\$ 407,819	\$ 598,599	\$ 462,579	\$ 495,908	\$ 189,099	\$ 429,535	\$ 245,523
Before contributions and transfers										
Current Assets	\$ 695,304	\$ 284,772	\$ 286,773	\$ 298,354	\$ 283,684	\$ 281,051	\$ 420,444	\$ 405,418	\$ 397,431	\$ 346,145
Restricted Assets	1,633,328	1,567,391	1,590,547	1,540,290	1,670,119	1,622,717	1,451,153	1,331,361	1,623,117	2,317,938
Utility Plant in Service	15,272,991	15,074,956	13,727,364	14,939,774	14,924,740	14,815,000	14,496,152	14,949,093	14,478,802	12,274,416
Accumulated Depreciation	(6,740,345)	(6,463,953)	(6,138,871)	(6,677,931)	(6,330,488)	(6,061,212)	(5,698,392)	(5,266,556)	(4,932,267)	(4,584,369)
Construction Work in Progress	59,461	176,641	1,176,084	108,333	11,002	179,505	179,505	166,161	23,879	1,058,131
Deferred Debits	0	5,724	16,505	27,288	38,069	48,850	59,631	70,414	81,195	91,978
Total Assets	\$ 10,900,739	\$ 10,645,531	\$ 10,658,402	\$ 10,236,108	\$ 10,597,126	\$ 10,706,406	\$ 10,908,493	\$ 11,655,891	\$ 11,672,157	\$ 11,504,239
Current Liabilities	\$ 562,220	\$ 742,217	\$ 1,148,804	\$ 1,097,545	\$ 1,112,282	\$ 1,112,326	\$ 1,117,331	\$ 1,097,169	\$ 963,246	\$ 909,006
Long-Term Liabilities	8,110	282,672	700,946	1,502,877	2,256,977	2,964,812	3,655,304	4,303,881	4,703,573	5,104,813
Contributions	-	-	-	-	1,405,165	1,405,165	1,378,726	1,343,981	1,283,577	1,198,194
Retained Earnings	-	-	-	-	5,822,702	5,224,103	4,757,132	4,910,860	4,721,761	4,292,226
Total Net Assets	10,348,300	9,620,641	8,808,652	7,635,686						
Total Liabilities, Contributions and Retained Earnings	\$ 10,918,630	\$ 10,645,530	\$ 10,658,402	\$ 10,236,108	\$ 10,597,126	\$ 10,706,406	\$ 10,908,493	\$ 11,655,891	\$ 11,672,157	\$ 11,504,239
Number of Customers:										
Residential	8,176	8,137	8,225	8,510	8,149	8,104	8,003	7,820	7,622	7,484
Commercial et alia	828	853	848	838	819	821	823	818	803	790
Total	9,004	8,990	9,073	9,348	8,968	8,925	8,826	8,638	8,425	8,274

*Information is not available.

TOWN OF HIGHLAND
Full-time Equivalent Town Government Employees by Function
Fiscal Years 2003 - 2006

Function	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Elected Official	1	1	1	1
General Government	11	11	11	11
Public Safety				
Police				
Sworn	43	37	43	39
non Sworn	9	8	7	8
(1) Fire				
Firefighters and officers	1	1	1	1
(1) Emergency				
Public Works				
Supervisors	2	2	2	2
Clerical	1	1	1	1
Highways and streets	15	11	11	12
Sanitation	10	6	6	6
Park and recreation	16	14	16	21
Redevelopment	0	0	1	1
Water	11	7	7	9
Sanitary District	3	3	3	3
Total	123	102	110	115

Source: Town of Highland Office of the Clerk-Treasurer

(1) Firefighters and EMT's are on call 24 hours a day. They are only paid when they are called into service.

TOWN OF HIGHLAND
 Operating Indicators by Function
 Fiscal Years 2003 - 2006

Function	Fiscal Year			
	2003	2004	2005	2006
General government				
Clerk-Treasurer Contact Units of Service				
Utility Collections	30,939	19,047	44,107	43,771
Building & Inspections	9,592	7,109	12,080	13,629
Public Works	5,133	3,109	5,115	5,016
Yard Waste Tags	13,746	6,875	6,636	2,191
Other	12,282	9,994	9,494	17,440
Highways and streets				
Street resurfacing (miles)	2.18	0.59	8.47	8.47
Sanitation				
Refuse collected (annual tons)	9,856.80	10,530.28	9,354.78	11,417.32
Recyclables collected (annual tons)	2,118.57	2,215.13	2,052.93	2,263.93
Parks and Recreation (1)				
Leases	\$ 152,880	\$ 156,118	\$ 164,105	\$ 161,500
Community Center/Events	65,721	66,108	57,677	41,857
Softball	170,980	172,258	163,670	164,328
Basketball	34,641	44,457	41,238	38,084
Seniors Programs	41,434	65,273	106,178	103,629
Children's Programs	33,187	26,827	32,766	35,701
Gymnastics	16,377	16,619	22,269	19,296
Adult Fitness	28,618	21,851	26,434	25,498
Dance (Adult & Youth)				
Park Program Participation				
Resident				4,597
Non-Resident				3,030
Audiences				4,200
Participants				2,630
Total:				14,457
Water				
New Connections	40	31	26	26
Avg. Daily Consumption (millions of gallons)	3,706	3,842	4,001	3,800
Sanitary District				
New Connections (Sanitary & Storm)	74	53	38	38
Avg. Daily Treatment (millions of gallons)	2,722	2,801	2,989	3,780
Fire				
Structure Fires	11	13	22	25
Vehicle Fires	28	21	21	20
General Alarms/False Alarms	122	118	118	114
Brush fires, carbon monoxide calls, hazmat,	135	107	94	100
Ambulance - back-up to service provider	12	9	9	5
Emergency/Ambulance Provider				
Dispatched to:				
Private Residence	N/A	148	1,386	1,295
Commercial Property	N/A	17	113	209
Public Property and Streets	N/A	21	94	195
Advanced Life Support Transports	N/A	70	666	705
Basic Life Support Transports	N/A	45	157	341
Dry Runs, Refusal of Services	N/A	71	570	653

Sources: Various Town of Highland Departments.
 (1) The Parks and Recreation Department tracked usage by revenues generated not participation in events in years prior to 2006.

This report should reflect 10 years of data. However, data not available prior to 2003.
 See Clerk-Treasurer service units

TOWN OF HIGHLAND
Capital Asset Statistics by Function
Fiscal Years 2003 - 2006

Function	Fiscal Year			
	2003	2004	2005	2006
General government				
Buildings	1	1	1	1
Vehicles	1	1	2	2
Monuments	1	2	3	3
Public Safety				
Police				
Stations				
Off-site storage Facility	1	1	1	1
Marked Patrol Vehicles	17	28	27	37
K-9 Vehicles	1	1	1	1
Unmarked Vehicles	10	9	11	10
Motorcycles	2	1	1	1
Animal Control Vehicle	1	1	1	1
Volunteers in Police Service Vehicles			1	4
Fire				
Stations	2	2	2	2
Fire Fighting Vehicles	10	10	10	10
General vehicles	2	2	2	2
Highways and streets				
Streets (miles)	N/A	N/A	89.28	89.28
Street lights	121	121	121	121
Traffic signals	20	20	21	21
Parks and recreation				
Parks acreage	250	250	250	250
Parks	22	22	22	22
Picnic Shelters	4	4	4	4
Gazebos	2	2	2	2
Tennis courts	6	6	6	6
Basketball Courts (indoor)	5	5	5	5
Basketball Courts (outdoor)	10	10	10	10
Baseball Fields	9	10	10	10
Softball Fields	11	11	11	11
Soccer Fields	5	9	9	9
Community use centers	1	1	1	1
Bike trails (miles)	4	4	4	4
Tractors/Mowers	12	12	12	12
Vehicles	11	11	10	10
Water				
Water mains (miles)	86.04	86.04	88.27	88.27
Fire Hydrants	550	600	600	600
Storage Capacity (MG)	7.5	7.5	7.5	7.5
Sanitary District				
Sanitary (Waste water) sewer lines(miles)	73.45	73.45	74.10	74.10
Lift stations (Sanitary)	10	10	10	10
Sanitary Retention Basins	2	2	2	2
Storm sewer lines(miles)	58.14	58.14	58.27	58.27

Source: Various City Departments

This report should reflect 10 years of data. However, data not available prior to 2003.

**Highland Town Board of Trustees
Presidents of the Board**

1st President

- Charles Wirth, 1910-1921

2nd President

- Garrett, Krooswyk, 1922-1927

3rd President

- Charles Wirth, 1928-1929

4th President

- B.I. Weller, 1930-1931

5th President

- George Brant, 1932, Jan - Sep, 1933

6th President

- B.I. Weller, Sep-Dec, 1933

7th President

- Frank A. Thwing, 1934-1939

8th President

- Andrew Wagner, 1940-1943

9th President

- Thomas Stidham, 1944

10th President

- John A. Blom, 1946-1947

11th President

- John DeLeeuw, 1948-1950

12th President

- Ralph Dunn, 1951

13th President

- John Farmer, Jan -Oct 20, 1952

14th President

- Robert Ross, Oct 21 '52- July 1, 1953

15th President

- Benjamin Gearhart, July 2, '53- May 1, '54

16th President

- James Bateman, May 2, 1954- Mar 15, 1955

**Highland Town Board of Trustees
Presidents of the Board**

17th President

- Michael Kruglinsky, Mar 16 - Dec 1955

18th President

- John Farmer, 1956-1959

19th President

- Donald R. Adams, 1960-1963

20th President

- David Morrow, 1964-1965

21st President

- Paul Doherty, 1966-1967

22nd President

- George Van Prooyen, 1968

23rd President

- Lynn Powell, Jan 20-Dec, 1969

24th President

- George Van Prooyen, 1970

25th President

- Lynn Powell, 1971

26th President

- Chester Napiwocki, 1972

27th President

- Robert Engerski, 1973

28th President

- Jack Silverman, 1974

29th President

- Paul Doherty, 1975

30th President

- George Van Til , 1976

31st President

- James L. Wieser , 1977

Highland Town Board of Trustees Presidents of the Board

32nd President

- Paul Doherty , 1978

33rd President

- David Morrow , 1979

34th President

- James L. Wieser , 1980

35th President

- John Oakley , 1981

36th President

- Thurman Ferree , 1982-1983

37th President

- Carl Miklusak , 1984

38th President

- John Oakley , 1985

39th President

- Thurman Ferree, 1986

40th President

- Dennis Tobin , 1987

41st President

- John Oakley , 1988

42nd President

- Dennis Tobin , 1989

43rd President

- Dominic Noce, 1990

Highland Town Council Presidents of the Council

44th President

- Dennis Tobin, 1991

45th President

- Lynn R. Powell, 1992

46th President

- Lance Ryskamp, 1993

47th President

- George Georgeff, 1994-1995

48th President

- Dennis Simala , 1996

49th President

- Larry Wolendowski, 1997

50th President

- Dennis Simala, 1998

51st President

- Charles Podgorny, 1999

52nd President

- George Georgeff, 2000

53rd President

- Mark A. Herak, 2001-2005

54th President

- Joseph A. Wszolek, 2006

55th President

- Daniel Dernulc, 2007

Town of Highland Miscellaneous Statistics and Facts

There are 567 cities and towns in Indiana. 119 cities (1 city of the first class; 19 cities of the second class and 98 of the third class with 448 towns. There are 79 Towns with a total population over 2,000 and 369 with populations of 2000 or less.)

Population (2000):	23,546
Male:	11,297
Female:	12,249
Veterans	2,478
Median age:	39.8 years
Work force Total: 12,683 of this 5,998 are female	
Per Capita Income:	\$24,530 (2000)
Median Household Income:	\$51,297 (2000)
Education: (2000)	
Bachelors Degree or Higher	22.1 %
Persons 25 years and older w/High School diploma	87.8%

Population History:

Year	Town of Highland Population	Pct change	Lake County Population	Pct change
1940	2,723		293,195	
1950	5,878	115.9%	368,152	25.6%
1960	16,284	177.0%	513,269	39.4%
1970	24,947	53.2%	546,253	6.4%
1980	25,935	4.0%	522,917	(4.3%)
1990	23,696	(8.6%)	475,594	(9.0%)
2000	23,546	(0.63%)	484,564	1.88%

Registered Voters: 17,402 (06/15/01)

Housing:	<u>1990</u>	<u>2000</u>
Total Housing Units	8,892	9,925
Total Occupied Units	8,728	9,636
Owner Occupied:	6,939	7,569

Year Structure Built:	Elevation:
1990-2000 10.4%	North of Ridge 595 above sea level
1980-1990 5.1 %	South of Ridge 615 above sea level
	Area: 7 square miles (6.9 sq. miles)

1970-1980	19.2%	Road miles: 85 miles
1960-1969	26.9%	Sanitary Sewer Lines: 74.10 miles (12/05)
1950-1959	25.9%	Water Lines: 88.27 miles (12/05)
1940-1949	7.7%	Storm Sewer Lines: 58.27 miles (12/05)
1939 or earlier	4.8%	Sanitary Manholes: 1092 precast/628 block
		Storm Manholes: 858 precast/320 block
		sidewalk 8,935 feet

Census Populations of Lake County's 19 Municipalities

	1990	2000
City of Gary	116,646	102,746
City of Hammond	84,236	83,048
City of East Chicago	33,892	32,414
Town of Merrillville	27,257	30,560
City of Hobart	21,822	25,363
Town of Schererville	19,962	24,851
Town of Highland	23,696	23,546
Town of Munster	19,949	21,511
Town of Griffith	17,916	17,334
City of Crown Point	17,728	19,806
City of Lake Station	13,899	13,948
Town of Dyer	10,923	13,895
Town of Cedar Lake	8,885	9,279
Town of St. John	4,921	8,382
Town of Lowell	6,430	7,505
City of Whiting	5,155	5,137
Town of Winfield	645	2,298
Town of New Chicago	2,066	2,063
Town of Schneider	310	317

Highland is the seventh largest municipality and the third largest town in Lake County.

Distance and Direction to Major Cities

Chicago, IL	(NW)	21 miles
Indianapolis, IN	(SE)	165 miles
Detroit, MI	(NE)	250 miles
Toledo, OH	(E)	210 miles

Climate

Coldest mo:	January	Hottest month:	July
Average Temp	20.1 F.	Average Temp	72.9 F.

ISO Fire Service Rating: 4

Overlapping Governments Serving the Town of Highland

Name of Government	Net Assessed Valuation Pay 2006
Lake County	\$ 19,210,322,805
Lake County Solid Waste District	\$ 19,210,322,805
Lake County Library District	\$ 10,894,629,118
North Township	\$ 6,558,012
School Town of Highland	\$ 1,173,820,512*
Town of Highland	\$ 1,173,820,512*

* Certified NAV is not the same as the Tax Abstract AV.